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Agenda

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

January 18, 2007

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. Approval of Minutes - December 14, 2006
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.

Approve



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.

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|----|---|----------|
| 4. | <u>MTS: Election of Vice Chair and Chair Pro Tem and Appointments to Committees for 2007</u>
Action would: (1) elect a Vice Chair and a Chair Pro Tem for 2007; and (2) consider the nominating slate proposed by the Ad Hoc Nominating Committee for the appointment of representatives to the MTS Committees as listed on the attachment to the agenda item and vote to appoint representatives to those committees. | Nominate |
|----|---|----------|

CONSENT ITEMS

- | | | |
|-----|--|---------|
| 6. | <u>MTS: Investment Report</u>
Action would receive an investment report through November 2006. | Receive |
| 7. | <u>MTS: An Ordinance Amending Ordinance No. 13, An Ordinance Regarding Prohibited Conduct Onboard Transit Vehicles and Prohibited Actions on or about a Transit Facility or a Bus Stop</u>
Action would adopt the ordinance attached to the agenda item entitled "An Ordinance Regarding Prohibited Conduct Onboard Transit Vehicles and Prohibited Actions on or About a Transit Facility or a Bus Stop" and direct publication of an ordinance summary. | Approve |
| 8. | <u>MTS: LRV Traction Motors Repair and Rehabilitation Services Agreement - Work Orders</u>
Action would: (1) accept the assignment of the LRV Traction Motors Repair and Rehabilitation Services Agreement from the San Diego Association of Governments (SANDAG); and (2) authorize the CEO to issue Work Order Nos. 07-01 and 07-02 to Siemens Energy and Automation for rehabilitation of 30 U2 traction motors and for U2 traction motor repairs as needed. | Approve |
| 9. | <u>MTS: Escrow Agreement</u>
Action would approve an Escrow Agreement with the Bank of New York Trust Company, N.A. as Trustee. | Approve |
| 10. | <u>SDTI: Uniform Service Contract Award</u>
Action would authorize the SDTI President to execute a five-year contract (SDTI Doc. No. C.O.065.0-07) with Prudential Overall Supply for uniform services for SDTI. | Approve |
| 11. | <u>MTS: Policies and Procedures No. 18 (Joint Use and Development of Property)</u>
Action would approve changes to Policy No. 18 as recommended by the Executive Committee. | Approve |

12. MTS: Emergency Work Authorization Under Policy No. 52.4(c) and MTS/SANDAG MOU Approval
Action would: (1) find that immediate remedial measures are required at the West Park Avenue and L Street grade crossing to comply with Federal Railroad Administration (FRA) Rule Nos. 213.127 and 213.113(7) to replace deteriorated rail and ties to ensure that the system is available to serve the transportation needs of the general public, and that the procurement of construction services in compliance with MTS Policy No. 52.2 is inadequate due to the urgency of the rehabilitation work; and (2) authorize the CEO to execute an MOU with SANDAG to reimburse SANDAG for West Park Avenue and L Street rehabilitation work to be done under a contract change order to the Broadway Rail Replacement Project (CIP 11061).

Approve

CLOSED SESSION

24. a. 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)
- b. 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)

Oral Report of Final Actions Taken in Closed Session

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. MTS: Fiscal Year 2008 Capital Improvement Program
Action would: (1) approve the fiscal year 2008 Capital Improvement Program (CIP) with the estimated 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; (2) recommend that the SANDAG Board of Directors approve the submittal of federal Sections 5307 and 5309 applications for the MTS fiscal year 2008 CIP after the federal appropriations are finalized; and (3) recommend that the SANDAG Board of Directors approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2008 CIP recommendations.

Approve

- | | | |
|-----|--|---------|
| 31. | <u>MTS: FY 2006 Comprehensive Annual Financial Report (CAFR) and Final Budget Comparison</u>
Action would: (1) receive the FY 2006 CAFR; and (2) approve applying the FY 2006 positive variance to the MTS Contingency Reserve. | Approve |
| 32. | <u>MTS: Memorandum of Understanding between MTS and the City of Chula Vista Regarding Consolidation of Bus Operations</u>
Action would receive a report and authorize the CEO to execute a Memorandum of Understanding with the City of Chula Vista and MTS Regarding Provision of Public Transportation Services. | Approve |
| 33. | <u>MTS: Contract Award for MTS Legal Services</u>
Action would authorize the CEO or appropriate staff persons to execute contracts on an as-needed basis to attorneys and firms from the prequalified list (attached to the agenda item) for MTS and its subsidiaries contingent upon successful negotiations with each law firm. | Approve |

REPORT ITEMS

- | | | |
|-----|---|-----------------|
| 45. | <u>MTS: C Street Master Plan Update Regarding Station Configuration</u>
Action would receive an update regarding the Centre City Development Corporation's (CCDC's) C Street Master Plan. | Receive |
| 46. | <u>MTS: I-805/SR 52 Bus Shoulder Lanes Project Update</u>
Action would receive a report for information. | Receive |
| 47. | <u>MTS: First Quarter 2007 Performance Indicators</u>
Action would receive a report for information. | Receive |
| 48. | <u>MTS: Year-to-Date Operations Budget Status Report through November 2006</u>
Action would receive a report for information. | Receive |
| 49. | <u>MTS: Leon Williams Station Dedication Working Group Report</u>
Action would receive a report on the efforts to date in regard to dedicating the San Diego State University (SDSU) Station to former Board Chairman Leon Williams. | Receive |
| 60. | <u>Chairman's Report</u> | Possible Action |
| 61. | <u>Chief Executive Officer's Report</u> | Information |
| 62. | <u>Board Member Communications</u> | |

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: February 15, 2007 **(Finance Workshop at 8:00 a.m.)**

65. Adjournment

Submitted by: _____
Remove On: _____
Return to Submitter: _____
OR (Pick One)
Retain in Posting File: _____

**METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL**

MEETING OF (DATE): 1/18/07

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

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:10 a.m.

RECONVENE: 10:20 a.m.

ORDINANCES ADOPTED: _____

ADJOURN: 12:03 p.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>	11:50 a.m. during AI 45	
CLABBY	<input checked="" type="checkbox"/> (Selby) <input type="checkbox"/>		
EMERY	<input checked="" type="checkbox"/> (Cafagna) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		
FAULCONER	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>	11:55 a.m. during AI 46	
HANSON-COX	<input checked="" type="checkbox"/> (Lewis) <input type="checkbox"/>	11:36 a.m. during AI 45	
MAIENSCHIN	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCLEAN	<input checked="" type="checkbox"/> (Janney) <input type="checkbox"/>		
MONROE	<input checked="" type="checkbox"/> (Downey) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (McCann) <input type="checkbox"/>	11:25 a.m. during AI 33	
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
RYAN	<input type="checkbox"/> (B. Jones) <input checked="" type="checkbox"/>		
YOUNG	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>	11:33 a.m. during AI 33	
ZARATE	<input type="checkbox"/> (Parra) <input type="checkbox"/>		<input checked="" type="checkbox"/>

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

Jeffrey...

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

December 14, 2006

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

1. Roll Call

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

Recognition of Employees

Chairman Mathis recognized and presented a plaque to Rich (Pete) Warren, MTS's longest-standing employee, who started working for the system in 1961. He also recognized Kevin Behan, who was recently promoted to Transportation Division Manager at the Imperial Avenue Division.

Recognition of Board Member Jerry Rindone

Chairman Mathis congratulated Mr. Rindone on being reappointed as Chula Vista's representative on the MTS Board and on being appointed Deputy Mayor of Chula Vista.

2. Approval of Minutes

Mr. McLean moved to approve the minutes of the November 9, 2006, and November 16, 2006, Board of Directors meetings. Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

3. Public Comment

Don Stillwell: Mr. Stillwell was asked to speak during Agenda Item 30 because his comments pertained to that item.

Chuck Lungerhausen: Mr. Lungerhausen reported that his experiences have been good while riding buses since the implementation of recent service changes as a result of the Comprehensive Operational Analysis (COA). He stated that he hoped that these changes have helped increase ridership. He also encouraged the Board to authorize the purchase of low-floor trolley cars, even if it is only a couple of car sets each year.

Michelle Krug: Ms. Krug reported that the bus stop at Reo Drive and Cumberland Street has been moved to another location, yet passengers continue to wait there. She added that Telephone Information personnel are not aware that this stop has been moved. She also expressed dissatisfaction with the frequency and routing of buses serving Camino Del Rio South as well as those from Bonita to I-805 and east on E Street. Mr. Conan Cheung, MTS

Director of Planning and Performance Monitoring, reported that staff will make sure that the problem with the discontinued bus stop is resolved.

CONSENT ITEMS

6. MTS: Adoption of Amended 2006 Conflict of Interest Code (ADM 110, PC 50101)

Recommend that the Board of Directors (1) adopt Resolution No. 06-15 Amending the MTS Conflict of Interest Code pursuant to the Political Reform Act of 1974; (2) adopt the Amended 2006 MTS Conflict of Interest Code (in substantially the same format as Attachment A of the agenda item); and (3) forward the Amended 2006 MTS Conflict of Interest Code to the County of San Diego – the designated code reviewing body.

7. MTS: An Ordinance Amending Ordinance No. 13, an Ordinance Regarding Prohibited Conduct Onboard Transit Vehicles and Prohibited Actions on or About a Transit Facility or a Bus Stop (ADM 110.3, PC 50451)

Recommend that the Board of Directors (1) read the title of Ordinance No. 13, An Ordinance Regarding Prohibited Conduct Onboard Transit Vehicles and Prohibited Actions On or About a Transit Facility or a Bus Stop; (2) waive further readings of the ordinance; (3) introduce the ordinance for further consideration at the next Board meeting on January 18, 2007; and (4) direct publication of an ordinance summary.

8. MTS: The Ticket Factory – Contract Amendment (FIN 330.3, PC 50451)

Recommend that the Board of Directors authorize the CEO to exercise a fourth and final option year with The Ticket Factory to print 13,845,750 Universal Daily-Dated Transfer Slips at a cost not to exceed \$68,813.38, including tax and delivery (in substantially the same form as Attachment A of the agenda item). This price represents a cost of \$4.97 per 1,000 slips, which is a 2 percent increase per unit over the previous year as determined by the current contract.

9. MTS: Audit Report on The Transit Store (LEG 492, PC 50121)

Recommend that the Board of Directors receive the internal audit report on The Transit Store.

10. MTS: Investment Report (FIN 300, PC 50601)

Recommend that the Board of Directors receive a report for information.

11. MTS: Insurance Brokerage and Consultation Services (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to award a contract to John Burnham Insurance Services (in substantially the same format as Attachment A of the agenda item) contingent upon successful negotiations. In the event that the CEO is unable to reach an agreement with John Burnham Insurance Services, the CEO would be authorized to begin negotiations with the next-ranked proposer(s) and award a contract contingent upon successful negotiations.

12. MTS: Mission Valley East Landscape Maintenance Project Contract Award (CIP 10426.6)

Recommend that the Board of Directors (1) authorize the CEO to execute a contract (MTS Document No. M6651.0-07) with Aztec Landscaping, Inc. to perform the Mission Valley East

Landscape Maintenance Project (LRT-10426), in substantially the same form as shown in Attachment A of the agenda item, in an amount not to exceed \$579,980; and (2) approve a 10 percent contingency totaling \$57,998.

13. MTS: Transportation Development Act Claim Revision (FIN 340.3, PC 50601)

Recommend that the Board of Directors adopt Resolution No. 06-14 (Attachment A of the agenda item) revising a Transportation Development Act claim of the County of San Diego.

14. MTS: Creative Bus Sales Contract – Airport Shuttles (CIP 11417)

Recommend that the Board of Directors authorize the CEO to exercise options available and award a contract amendment to Creative Bus Sales (in substantially the same format as Attachment A of the agenda item—MTS Doc. No. B0389.4-03) to purchase seven midsize compressed natural gas-powered airport shuttle transit buses.

Recommended Consent Items

Ms. Tiffany Lorenzen, MTS General Counsel, read the title of the ordinance being recommended for amendment under Agenda Item No. 7. Chairman Mathis pulled that agenda item for discussion as there were a number of individuals requesting to speak on that subject.

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

Discussion of Item Number 7: Ms. Lorenzen reported that the revision of Ordinance 13 would enact a prohibition on smoking with 25 feet of any bus stop, trolley station, or transit facility. She reported that other changes being recommended for the ordinance were nonsubstantive. She read paragraph 13.10, which contains the language about the smoking prohibition.

Public Comment

Kristin Harms, Tobacco-Free Communities: Ms. Harms expressed her support of the ordinance amendment citing health benefits, unsavory litter, and improved conditions for riders. She suggested that staff consider affixing a label to the new signage providing a phone number for a smoking cessation program (1-800-no-smoke). She stated that her organization has such decals in six different languages.

Debra Kelley, Vice President of the American Lung Association: Ms. Kelley expressed her support of the ordinance amendment. She offered \$1,000 to help defray the cost for signage and offered to provide people to assist with putting up that signage. She also offered to develop partnerships that would assist with this task. She stated that this would make a wonderful project for high school students who need to do community service projects. She added that this would also present a great opportunity to garner media attention and suggested involving Board members. She stated that the American Lung Association was willing to participate in other activities that will increase public awareness as well.

Alex Sachs: Mr. Sachs expressed his support of the ordinance amendment and briefly discussed the perils of second-hand smoke. He also discussed the problems created, especially for people with lung-related afflictions, by cigarette smokers who make no effort to separate themselves from the general public while on transit. He asked if enforcement of this prohibition would be done through signage.

Clive Richard: Mr. Richard expressed his support of the ordinance amendment. He stated that he did not feel that strongly about this issue until he heard a report by the Surgeon General on the effects of second-hand smoke. He stated that there is no safe amount of second-hand smoke. He also stated that 25 feet from transit facilities is a fair distance to impose. He stated that MTS should muster all its resources to enforce the smoking prohibition.

Terri Pinnell, American Lung Association Volunteer: Ms. Pinnell expressed her support of the ordinance and her thanks to the Board and the City of San Diego for the gift of no-smoking regulations. She stated the ordinance will reduce a number of problems including the contamination of air, reduced problems with individuals with lung-related problems, reduced litter at stations, etc. She thanked the Board for listening to people who were being subjected to second-hand smoke.

Mr. Rindone stated that he enthusiastically supports this amendment. Mr. Monroe also stated his support. Both Board members referenced no-smoking regulations implemented by their respective cities. Mr. Roberts stated that the Board wants to make conditions on public transportation more acceptable to existing as well as potential riders. Mr. Ewin requested that staff come back to the Board with a report on how enforcement will be carried out and providing a timetable for getting this information out to the public. He indicated that La Mesa also has no-smoking regulations.

In response to a question from Ms. Atkins regarding the ordinance's reference to bicycle limits on the trolley, staff reported that two bicycles are allowed per trolley car. Ms. Atkins stated that, while she understood that there had to be limitations, staff should always be looking for ways to encourage people to use transit over their cars.

Mr. Roberts moved to approve Consent Agenda Item No. 7. Mr. Rindone seconded the motion, and the vote was 12 to 0 in favor.

CLOSED SESSION:

24. Closed Session Items (ADM 122)

The Board convened to Closed Session at 9:37 a.m.

- a. MTS: CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6: Agency Designated Representative – Jeff Stumbo
Employee Organization: Amalgamated Transit Union Local 1309
- b. MTS: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a) Tonantzin LeGrette v. SDTC, Gonzalez Jurado (GIC 857654)
- c. MTS: CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8
Property: 808 West Cedar Street, San Diego, California
Agency Negotiators: Tiffany Lorenzen, Tim Allison
Negotiating Parties: Monarch School Project
Under Negotiation: Price and Terms of Payment
- d. 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)

The Board reconvened to Open Session at 10:39 a.m.

Oral Report of Final Actions Taken in Closed Session

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

- a. The Board received a report and gave direction to agency negotiators.
- b. The Board received a report and gave direction to outside counsel.
- c. The Board received a report and gave direction to staff. Mr. Maienschein was not present for the discussion of this item. Other City representatives were present for the discussion but did not take action.
- d. The Board received a report and gave direction to outside counsel.

NOTICED PUBLIC HEARINGS

25. MTS: Public Hearing on the Proposed Replacement of Route 31 Service on Weekends with Route 921 Service (SRTP 805.1, PC 50451)

Mr. Devin Braun, MTS Associate Transportation Planner, provided the Board with details regarding the proposed changes for Route Nos. 31 and 921. He pointed out that these routes had been reviewed by staff as part of MTS's commitment to review changes made as part of the COA and make adjustments as deemed appropriate. He displayed maps showing the recommended changes.

Chairman Mathis convened a public hearing on this matter at 10:40 a.m.

There were no public comments. Mr. Maienschein stated that Mr. Cheung and his staff had done a good job of listening to transit riders in his district. He pointed out that these changes will not result in any additional operating cost. Mr. Roberts stated that these routes also serve his district and stated that these changes seem like a substantial improvement.

Chairman Mathis closed the public hearing at 10:44 a.m.

Action Taken

Mr. Maienschein moved to (1) conduct a public hearing on the proposed changes to Routes 31 and 921 bus service; and (2) approve the proposed changes for implementation on January 28, 2007. Mr. Roberts seconded the motion, and the vote was 12 to 0 in favor.

DISCUSSION ITEMS

30. MTS: Report on Discussions with City of National City Regarding Transferring Operational Responsibility for National City Transit Service (OPS 930)

Mr. Paul Jablonski, MTS Chief Executive Officer, reminded the Board that it had directed staff, at its November 9, 2006 meeting, to have further discussions regarding this item with National City and with the Amalgamated Transit Union (ATU), Local 1309. He stated that the Board

asked staff to discuss options for implementation of the COA with the ATU. Mr. Jablonski reported that a meeting was held that included National City Mayor Ron Morrison as well as the city attorney and Assistant Manager representing National City, Mr. Steve Alcove representing the ATU, and three representatives from McDonald Transit. He reported that Chairman Mathis, Mr. Emery, and Mr. Monroe as well as various staff members represented MTS. Mr. Jablonski reported that Mr. Alcove stated during this meeting that a change in shake-up dates, which would drive options for the implementation of the COA, could not take place without a vote by the Union membership. The earliest that vote could take place was December 13 or 14. He stated that it was decided, therefore, to delay the National City portion of the changes until March 4, 2007. He stated that there was no opposition expressed during the meeting when this decision was made.

Mr. Jablonski advised the Board that the following items were discussed during the meeting: (1) proposals from McDonald Transit to operate National City transit service at a reduced rate; (2) the handling of National City Transit employees; and (3) the 8th Street operations facility/property. He reported that National City Transit employees transferring to either San Diego Transit or Veolia would do so at the same wage level and for better benefits at San Diego Transit. He stated that both MTS and National City representatives agreed that the 8th Street property should be used for a transit center and rail station, which would be a \$6 million to \$8 million project. He added that Mr. Morrison agreed during the meeting that MTS had the authority to take the recommended action regarding National City transit service. He stated that National City requested that a Memorandum of Understanding (MOU) be developed to codify the agreements reached during the meeting.

Mr. Jablonski advised the Board that McDonald Transit's proposals offered savings of \$337,000 and \$427,000 compared to MTS's projected savings of \$560,000. He added that McDonald Transit also submitted a letter stating that they would match Veolia's proposal rate. Mr. Jablonski stated that none of these proposals eliminate MTS's expense of \$130,000 for overhead and \$130,000 for rental of the 8th Street property. He also reported that McDonald Transit proposals achieve cost savings by reducing nondriver staff levels by 7½ out of 16½. He stated that included in these reductions is all but one mechanic for 14 buses while industry standard is to have one mechanic per three to four buses. As a result, he didn't feel that McDonald Transit's proposal was practical. He stated that a memo was sent to National City stating these conclusions, and the requested MOU was also prepared and sent to National City. He reported that subsequent to that action, National City sent an e-mail requesting that the MOU be modified to include (1) that MTS not pay rent on the 8th Street property until July 1, 2007, with rent then continuing until MTS and National City enter into a long-term lease and purchase agreement for the property with an escalator to become effective in 2009; (2) that MTS conduct an appraisal of the property; and (3) that MTS indemnify National City against any claim by McDonald Transit for the termination of its contract with National City or make McDonald Transit a party to the MOU.

Mr. Jablonski referred Board members to the printed recommendation provided by staff to (1) approve the transfer of operational responsibility for National City transit services to MTS effective March 4, 2006, and discontinue payment to National City/McDonald Transit for that service; and (2) appoint a transition team to work with National City to assist with the transfer of the transit services. He added that the MOU included the continued payment by MTS of the rent, management fee, and overhead until March 31, 2007. He stated that MTS will need continued access to the property during the transition period.

At the request of Mr. Roberts, staff displayed a visual of the 8th Street property, and Mr. Jablonski advised Mr. Roberts that this property was purchased with state Transportation

Development Act (TDA) funds. He added that the property was subsequently improved also using TDA funds. Mr. Jablonski then advised the Board that MTS is currently undergoing a TDA audit, and he felt that audit would include a finding regarding the fact that MTS is paying rent for a property paid for using TDA funding funneled through MTS to National City. Mr. Jablonski advised Mr. Roberts that the buses that are being operated out of the 8th Street facility can be absorbed by the South Bay facility, which is just a few miles away. He added that this would also eliminate certain redundancies. Mr. Jablonski reminded the Board that, under the COA, National City transit services would be increased by 40 percent.

Public Comment

Ron Morrison, Mayor, National City: Mr. Morrison stated that the meeting between National City and MTS was very productive. He stated that National City had some concerns regarding details within the MOU and that was why an e-mail was sent to MTS requesting the additional items. He talked about the importance of a trolley station and bus terminal in National City, the most heavily used transit and bus corridors in the region. He stated that National City could use this property for a more profitable venture rather than holding it until a transit center can be developed; therefore, National City felt that continued payment of rent by MTS was justified. He pointed out that these projects can take a considerable amount of time to come to fruition; therefore, the continuation of rent would serve as an incentive for MTS to more vigorously pursue the development of National City's transit center. He felt that anticipated bond funding could be used for this project and that it should be an Early Action Project under TransNet II. He added that since the absorption of National City transit services is MTS's decision, MTS should indemnify National City against any claims by McDonald Transit or McDonald should be a signatory on the MOU. Mr. Morrison also expressed concern about transferring employees being treated as new hires, which would have a negative impact on their seniority position. Mr. Monroe reminded the Board that seniority issues are negotiated and have to be handled by the Union. He added that the Board could encourage the Union to consider this. Mr. Morrison stated that National City is willing to work with MTS toward a regional solution as long as it's out in the open and includes all the involved parties.

Mr. Morrison did not feel that it was pertinent that the 8th Street property was purchased using TDA funds. He stated that many projects come from different sources of funding. He stressed that the title to the property is in National City's name, and that the City has an opportunity for investment as a result. Chairman Mathis pointed out that this property is surplus to MTS's needs. He suggested that National City consider a short-term lease for this property while waiting for the transit facility to be developed.

Mr. Roberts questioned why MTS would indemnify National City for a relationship to which it is not a party. He also questioned the nature of National City's potential liability. Mr. Ewin suggested that this issue be bifurcated into two – the issue related to the bus service and the issue related to the property. Mr. Ewin suggested that MTS then explore the strategic need for all or a portion of this property. Chairman Mathis stated that there was nothing that would preclude MTS from that option.

In response to questions regarding TDA funding, Mr. Jablonski reviewed federal rules that require that any income generated as a result of something paid for using federal funding must be put back into the operation or returned to the Federal Transit Administration. He stated that if property that is purchased using federal funding and held it for ten years, the increased value must be returned to the FTA.

Robert Babbitt, President, McDonald Transit: Mr. Babbitt advised the Board that McDonald Transit can do everything it is doing today for the cost it proposed to MTS. He stated that McDonald provides quality service in National City, even compared to its own services elsewhere in the country. He didn't feel that MTS could increase service levels by 40 percent and save \$560,000.

Don Stillwell: Mr. Stillwell questioned who made notice to National City as a result of Ms. Zarate's comments at the SANDAG Board meeting on October 27. Mr. Stillwell then requested copies of documents that were distributed regarding this matter at the December 7, 2006, MTS Executive Committee meeting.

Michelle Krug: Ms. Krug talked about the excellent drivers on Route No. 602. She felt that National City had not been given adequate opportunity to match MTS cost savings. Chairman Mathis pointed out that all information had been presented at a previous meeting and then reiterated today. Ms. Krug requested that later service be provided from the 8th Street stop into Paradise Hills. She also requested that Route No. 962 be extended to 8th Street.

Action Taken

Mr. Roberts moved to (1) approve the transfer of operational responsibility for National City transit services to MTS effective March 4, 2007, and discontinue payment to National City/McDonald Transit for that service; (2) appoint a transition team to work with National City to assist with the transfer of the transit services; and (3) direct staff to continue to meet with National City representatives to discuss resolution of matters related to the 8th Street Property. Monroe seconded the motion, and the vote was 11 to 0 in favor.

31. MTS: Legislative Update and Proposal Federal and State Legislative Goals (LEG 410, PC 50121)

There was no staff presentation or Board discussion of this item.

Action Taken

Mr. Emery moved to (1) receive a report on 2006 legislative and intergovernmental activities; (2) accept the proposed MTS 2007 Federal Legislative Program; (3) accept the proposed MTS 2007 State Legislative Program; and (4) authorize the CEO to direct MTS's Sacramento and Washington representatives to advocate the state and federal legislative programs. Mr. Rindone seconded the motion, and the vote was 11 to 0 in favor.

32. MTS: TransNet Early Action Program and Blue and Orange Line Trolley Improvements (CIP 11200)

There was no staff presentation or Board discussion of this item.

Action Taken

Ms. Atkins moved to (1) authorize the CEO to gain SANDAG approval to include Blue Line and Orange Line trolley improvements in the TransNet Early Action Program at its December Board meeting; and (2) authorize the CEO to initiate a contract for consulting services for a study of Blue and Orange Line trolley rehabilitation. Mr. Rindone seconded the motion, and the vote was 11 to 0 in favor.

REPORT ITEMS

45. MTS: C Street Master Plan Update (ADM 124, PC 50451)
(Taken Out of Order)

Brandon Farley, MTS Senior Transportation Planner, provided the Board with a C Street Master Plan Update. He stated that this plan is being developed to create an overall vision for the revitalization of C Street from India Street to Park Boulevard. He reported that 1/3rd of all trolley trips are linked to C Street stations. He displayed visuals of this portion of the downtown area and explained how trolleys are operated within this area. He reviewed MTS's interests in this corridor and explained that the Downtown Community Plan Update Master EIR indicates that ridership downtown is expected to triple. He stated that one of MTS's goals is to operate low-floor cars throughout the entire system and advised the Board that a three-car consist of these cars is longer in length than a three-car consist of other cars and cannot be accommodated on C Street. He showed a slide showing how Trolley's current cars slightly protrude into crosswalk areas. He also discussed alignment options and station-relocation issues.

Mr. Farley advised the Board that MTS's overriding concern is with station lengths. He stated that three-car S70 consists are 272 feet long, three-car trains currently operating on the Blue and Orange Lines are 243 to 245 feet long, and the 5th Avenue and Civic Center Stations, which are the most constrained in the system, are 244 feet long.

Public Comment

Sachin Kalbah, Centre City Development Corporation (CCDC): Mr. Kalbah stated that he is the project lead for this project and that he appreciated MTS's partnership. He also complimented Mr. Farley's work on the project. He stated that he would like to come back to the Board to address the issue on low-floor trolley cars. He stated that decisions that are made on this project must fit with the long-range vision, of which trolley is an important component. He talked about the number of endorsements CCDC has received in favor of the northern alignment option. Mr. Faulconer pointed out that this whole project started with the Downtown Partnership, which is really the leader on this project. He stated that he co-chairs their group.

Barbara Warden, President, Downtown Partnership: Ms. Warden distributed a letter expressing the Downtown Partnership's endorsement of the North Alignment Alternative. She discussed the origins of her organization. She added that she did not have a solution for accommodating the longer trolley consists. She stated that her organization was not in favor of closing streets in the heart of the downtown financial district. She also stated that she would like to find a way to accommodate the longer cars but not at the expense of the other goals of the project. She requested that the Board docket a discussion of the northern alignment as soon as possible.

Justin Glasser, Downtown Partnership – American National Investments: Mr. Glasser expressed his support of the northern alignment.

Mike O. Ryan, Westgate Hotel: Mr. Ryan stated that his hotel supports the northern alignment. He added that the Civic Center Station contributes to a very confusing intersection. He stated that the northern alignment will clarify the boundaries for both trolleys and cars. He added that the current configuration makes it hard for Westgate customers to find the hotel.

Ruben Andrews: Mr. Andrews stated that the trolley should not impose itself on the urban fabric and stated that it was a source of blight for downtown. He stated that there are now vacancies in storefronts and crime is up. He stated that a new vision is needed using a multimodal system

and using trolley cars that are the right size. He suggested terminating the Orange Line at 12th & Imperial and using a multimodal system for downtown travel.

Bill Sauls: Mr. Sauls stated that his office is on the southwest corner of 5th Avenue and C Street. He requested that, while efforts are underway to resolve the issue of the longer train consists, the Board embrace the Northern Alignment Alternative. He stated that there are safety hazards that need to be given consideration.

Sonia Hyncik, Hines: Ms. Hyncik expressed her company's support of the Northern Alignment Alternative citing safety, lack of access, and overall decline as reasons for this choice. She stated that the city's design should be given priority over the operation of the longer trolley cars.

Mr. Roberts provided the Board with an overview of unworkable concepts that were approved in past years that created the current problem. He complimented the CCDC as well as the Downtown Partnership on their work on this project. He objected to the earlier remarks about blight in the downtown area. He stated that everyone must work toward finding a way to continue transit service levels to accommodate an increasing ridership into downtown in a way that is going to work. He pointed out that downtown is part of an entire system. He stated that everyone must commit to going to low-floor vehicles because they are convenient for customers. He stated that anything short of that would not be acceptable to him. He stated that downtown is not the only area of the city inconvenienced by public transportation, but it is an essential part of the entire system.

Chairman Mathis pointed out that many trolley riders work downtown. He added that the northern alignment is not MTS's issue – MTS's issue is how to accommodate the longer trolley cars. He also stated that he would find any plan that didn't take this into consideration unacceptable. Mr. Faulconer stated that everyone that is working on this project understands the importance of public transportation. He thanked MTS staff in particular for their participation. He stated that it is important that this project be done right and that it needs to be user friendly and attractive to people. He stated that any plan that closes streets would be unacceptable to him and stated that these problems need to be resolved sooner rather than later.

Mr. Jablonski pointed out that he has been authorized under Agenda Item No. 32 on today's agenda to initiate a contract for consulting services for a study of Blue and Orange Line trolley rehabilitation. He stated that part of that study will involve an evaluation of a low-floor system and the purchase of low-floor cars, which is a priority of TransNet II. He stated that what happens with the C Street Master Plan has an impact on the entire system. Mr. Roberts requested that this item be returned to the Board in January along with more detail on the suggested alternative and other options. Mr. Faulconer stated that CCDC would like to be part of that presentation. Mr. Jablonski stated that the item would be brought to both the Executive Committee meeting on January 11, 2007, and the Board meeting on January 18, 2007.

Action Taken

Mr. Monroe moved to receive an update regarding the Centre City Development Corporation's C Street Master Plan. Mr. Clabby seconded the motion, and the vote was 10 to 0 in favor.

DISCUSSION ITEMS (Continued)

33. MTS: Policies and Procedures No. 18 (Joint Use and Development of Property) (LEG 461, PC 50791)

This item was continued.

Action Taken

Mr. Emery moved to continue this item. Mr. Ewin seconded the motion, and the vote was 10 to 0 in favor.

REPORT ITEMS (Continued)

46. MTS: Year-To-Date Operations Budget Status Report Through October 2006 (FIN 310, PC 50601)

This item was continued.

Action Taken

Mr. Emery moved to continue this item. Mr. Ewin seconded the motion, and the vote was 10 to 0 in favor.

47. MTS: January and March 2007 Service Changes (SRTP 805.1, PC 20484)

Ms. Lorenzen pointed out that the agenda materials were at each Board member's place for this item. There was no staff presentation and no Board discussion of this item.

Action Taken

Mr. Monroe moved to receive this report for information. Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

60. Chairman's Report

There was no Chairman's Report.

61. Chief Executive Officer's Report

Double-Decker Bus and Groundbreaking for Grossmont Trolley Station Joint Development Project: Mr. Jablonski advised Board members that MTS is testing a double-decker bus, and he invited Board members to ride this bus to the groundbreaking for the Grossmont Trolley Station.

62. Board Member Communications

SANDAG Board Member Joe Kellejian: Mr. Monroe advised the Board that Mr. Kellejian will no longer be serving on the SANDAG Board of Directors or Transportation Committee. At his request, the Board agreed to honor Mr. Kellejian at an upcoming meeting.

MTS Committee Assignments for 2007: In response to a question from Mr. Clabby, Ms. Lorenzen explained that the Nominating Committee's recommendations for committee assignments for 2007 will be on the Board meeting agenda for January 18, 2007.

63. Additional Public Comments on Items Not on the Agenda

There were no additional public comments.

64. Next Meeting Date


The next scheduled Board meeting will be Thursday, January 18, 2007, at 9:00 a.m. in the same location.

65. Adjournment

Chairman Mathis adjourned the meeting at 12:22 p.m.



Chairperson
San Diego Metropolitan Transit System
Filed by:



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

Approved as to form:



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): 12/14/06

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

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:37 a.m.

RECONVENE: 10:39 a.m.

ORDINANCES ADOPTED: _____

ADJOURN: 12:22 p.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
CLABBY	<input checked="" type="checkbox"/> (Selby) <input type="checkbox"/>		
EMERY	<input checked="" type="checkbox"/> (Cafagna) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		
FAULCONER	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>	9:12 a.m. during Consent Agenda	12:20 p.m. during AI 47
HANSON-COX	<input checked="" type="checkbox"/> (Lewis) <input type="checkbox"/>		
MAIENSCHIN	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCLEAN	<input checked="" type="checkbox"/> (Janney) <input type="checkbox"/> (Rose) <input type="checkbox"/>		
MONROE	<input checked="" type="checkbox"/> (Tierney) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (McCann) <input type="checkbox"/>	9:13 a.m. during Consent Agenda	11:42 a.m. during AI 45
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:22 a.m. during AI 7	
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 type="checkbox"/>		<input checked="" type="checkbox"/>

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

Gail Williams
Debra L. Brown



AGENDA ITEM NO.

3

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 1-18-2007Name (PLEASE PRINT) DON STILLWELLAddress 6308 RANCHO MESA RD #173SAN DIEGO, CA 92109Telephone (619) 282-7760

Organization Represented (if any) _____

Subject of your remarks: BUS SERVICEAgenda Item Number on which you request to speak 3

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.****





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Agenda

Item No. 4

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

ADM 110 (PC 50101)

January 18, 2007

SUBJECT:

MTS: ELECTION OF VICE CHAIR AND CHAIR PRO TEM AND APPOINTMENTS TO
COMMITTEES FOR 2007

RECOMMENDATION:

That the Board of Directors:

1. elect a Vice Chair and a Chair Pro Tem for 2007; and
2. consider the nominating slate proposed by the Ad Hoc Nominating Committee for the appointment of representatives to the MTS Committees as listed on the attached table (Attachment A) and vote to appoint representatives to those committees.

Budget Impact

None.

DISCUSSION:

Public Utilities Code Section 120100 requires the Board of Directors, annually at its first meeting in January, to elect a Vice Chair who shall preside in the absence of the Chair. Policies and Procedures No. 22, "Rules of Procedure," also provides for the election of a Chair Pro Tem to serve in the absence of the Chair and Vice Chair. Currently, Jerry Rindone serves as Vice Chair, and Bob Emery serves as Chair Pro Tem.



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.

The Vice Chairman and Chair Pro Tem nomination and election procedures pursuant to Robert's Rules of Order are as follows:

1. The Chairman of the Board opens the agenda item.
2. The Chairman requests nominations from the floor. Nominations do not require a second.
3. The Chairman closes the nominations.
4. The Chairman invites the candidate(s) to address the Board for 3 minutes.
5. The Chairman asks for any Board discussion.
6. The Chairman calls for the vote on each motion for each candidate.
7. The vote is taken on the motion(s) for each candidate based upon the order in which they were nominated. The vote continues until a candidate is elected.

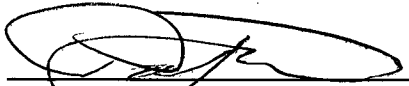
In addition, each year the Board makes appointments to the various committees, including the Executive Committee, the Budget Committee, the Joint Committee on Regional Transit (JCRT), the Taxicab Committee, the High-Speed Rail Task Force of the San Diego Association of Governments (SANDAG), the Los Angeles-San Diego Rail Corridor Agency (LOSSAN), the Accessible Services Advisory Committee (ASAC), the Ad Hoc Railroad Subcommittee, the SANDAG Board, and the SANDAG Transportation Committee.

The Ad Hoc Nominating Committee is proposing the attached nominating slate for the 2007 MTS Committees. Board members are asked to consider the slate and vote on the attached appointments.

The nomination and election procedures pursuant to Robert's Rules of Order are as follows:

1. The Chairman of the Board opens the agenda item.
2. The Ad Hoc Nominating Committee makes a report and calls for a motion on the nominating slate.
3. The Chairman requests additional nominations from the floor. Nominations do not require a second.
4. The Chairman closes the nominations.
5. The Chairman invites the candidate(s) to address the Board for 3 minutes.
6. The Chairman asks for any Board discussion.
7. The Chairman calls for the vote on each motion for each candidate.

The vote is taken on the motion(s) for each candidate based upon the order in which they were nominated. The vote continues until a candidate is elected



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tiffany Lorenzen, 619.557.4512, tiffany.lorenzen@sdmts.com

JAN18-07.4.ELECTIONS&COMMITTEEAPPT.TLOREN

Attachment: A. 2007 Slate of MTS Committees and Outside Agency Appointments

2007 SLATE OF MTS COMMITTEES AND OUTSIDE AGENCY APPOINTMENTS

<p>MTS Executive Committee</p> <p>**Appointment governed by rotation schedule established in MTS Board Policy No. 22</p>	<p>Harry Mathis – Chairman</p> <p>Toni Atkins – City of San Diego Member</p> <p>Ernie Ewin – East County Member</p> <p>Jerry Rindone – South Bay Member</p> <p>Ron Roberts – County Member</p>	<p>May be voted upon by all members except Harry Mathis</p> <p>May be voted upon by all members except Toni Atkins</p> <p>May be voted upon by all members except Ernie Ewin</p> <p>May be voted upon by all members except Jerry Rindone</p> <p>May be voted upon by all members except Ron Roberts</p>
<p>MTS Budget Committee</p>	<p>Jerry Rindone – Chairman</p> <p>Harry Mathis – Vice Chairman</p> <p>Thomas Clabby – Committee Member</p> <p>Ron Roberts – Committee Member</p> <p>Tony Young – Committee Member</p>	<p>May be voted upon by all members except Jerry Rindone</p> <p>May be voted upon by all members except Harry Mathis</p> <p>May be voted upon by all members except Thomas Clabby</p> <p>May be voted upon by all members except Ron Roberts</p> <p>May be voted upon by all members except Tony Young</p>
<p>Joint Committee on Regional Transit (JCRT)</p>	<p>Bob Emery – Committee Member</p> <p>Harry Mathis – Committee Member</p> <p>Ernie Ewin – Committee Member</p> <p><u>Alternates</u></p> <p>Thomas Clabby – Committee Member</p> <p>Brian Maienschein – Committee Member</p>	<p>May be voted upon by all members except Bob Emery</p> <p>May be voted upon by all members Harry Mathis</p> <p>May be voted upon by all members Ernie Ewin</p> <p>May be voted upon by all members except Thomas Clabby</p> <p>May be voted upon by all members except Brian Maienschein</p>
<p>Taxicab Committee</p>	<p>Brian Maienschein – Chairman</p>	<p>May be voted upon by all members except Brian Maienschein</p>

High-Speed Rail Task Force (SANDAG)	<p>Brian Maienschein – Committee Member</p> <p><u>Alternate</u> Jillian Hanson-Cox – Committee Member</p>	<p>May be voted upon by all members except Brian Maienschein</p> <p>May be voted upon by all members except Jillian Hanson-Cox</p>
Los Angeles-San Diego Rail Corridor Agency (LOSSAN)	<p>Jerry Rindone – Committee Member</p> <p><u>Alternate</u> Harry Mathis – Committee Member</p> <p><u>Second Alternate</u> Bob Emery – Committee Member</p>	<p>May be voted upon by all members except Jerry Rindone</p> <p>May be voted upon by all members except Harry Mathis</p> <p>May be voted upon by all members except Bob Emery</p>
Accessible Services Advisory Committee (ASAC)	<p>Thomas Clabby – Chairman</p>	<p>May be voted upon by all members except Thomas Clabby</p>
Ad Hoc Railroad Subcommittee	<p>Bob Emery – Chairman</p> <p>Harry Mathis – Vice Chair</p> <p>Thomas Clabby – Committee Member</p> <p>Jerry Rindone – Committee Member</p>	<p>May be voted upon by all members except Bob Emery</p> <p>May be voted upon by all members except Harry Mathis</p> <p>May be voted upon by all members except Thomas Clabby</p> <p>May be voted upon by all members except Jerry Rindone</p>
SANDAG Board	<p>Harry Mathis - Advisory Member</p> <p><u>Alternate</u> Jerry Rindone – Advisory Member</p> <p><u>Second Alternate</u> Bob Emery – Advisory member</p>	<p>May be voted upon by all members except Harry Mathis</p> <p>May be voted upon by all members except Jerry Rindone</p> <p>May be voted upon by all members except Bob Emery</p>

SANDAG Transportation Committee	Elected by Executive Committee at the February 8, 2007, meeting	
SANDAG Regional Planning Committee	<p>Harry Mathis – Committee Member</p> <p><u>Alternate</u> Bob Emery – Committee Member</p>	<p>May be voted upon by all members except Harry Mathis</p> <p>May be voted upon by all members except Bob Emery</p>

JAN18-07.4.AttA.COMMITTEEAPPOINT.TLOREN



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Agenda

Item No. 6

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

FIN 300 (PC 50601)

January 18, 2007

SUBJECT:

MTS: INVESTMENT REPORT

RECOMMENDATION:

That the Board of Directors receive an investment report through November 2006.

DISCUSSION:

The attached schedule (Attachment A) is a report of MTS investments as of November, 2006. It is broken into two columns: the first column relates to investments restricted either for capital support or for debt service, and the second column is the unrestricted portion.

As the schedule shows, the overwhelming bulk of investments are restricted for debt service. These are primarily set to serve the payments on the 1989/1990 and 1995 lease and leaseback transactions.

The second column (unrestricted assets) provides working capital for MTS operations for employee payroll and payments to vendors for goods and services.

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

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tom Lynch, 619.557.4538, tom.lynch@sdmts.com

JAN18-07.6.INVESTMT RPT.LMUSENGO

Attachment: A. Investment Report



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.

**San Diego Metropolitan Transit System
Investment Report
November 30, 2006**

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Avg. Rate of Return</u>
<u>Cash and Cash Equivalents</u>			
Metropolitan Transit System	\$ -	\$ 17,649,768	N/A
San Diego Transit Corporation	-	2,419,443	N/A
San Diego Trolley, Inc.	-	1,831,879	N/A
	<hr/>	<hr/>	
Total Cash and Cash Equivalents	-	21,901,089	
	<hr/>	<hr/>	
<u>Investments - Working Capital</u>			
Metropolitan Transit System	-	930,144	4.80%
San Diego Transit Corporation	-	-	N/A
San Diego Trolley, Inc.	-	-	N/A
	<hr/>	<hr/>	
Total Investments - Working Capital	-	930,144	
	<hr/>	<hr/>	
<u>Cash - Restricted for Capital Support</u>			
Metropolitan Transit System	5,764,306	-	N/A
	<hr/>	<hr/>	
Total Cash - Restricted for Capital Support	5,764,306	-	
	<hr/>	<hr/>	
<u>Investments - Restricted for Debt Service</u>			
Metropolitan Transit System	156,379,732	-	4.66%
	<hr/>	<hr/>	
Total Investments - Restricted for Debt Service	156,379,732	-	
	<hr/>	<hr/>	
Total Cash and Investments	\$ 162,144,038	\$ 22,831,234	
	<hr/>	<hr/>	

Att. A, AI 6, 1/18/07, FIN 300



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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.

ADM 110.3 (PC 50451)

January 18, 2007

SUBJECT:

MTS: AN ORDINANCE AMENDING ORDINANCE NO. 13, AN ORDINANCE REGARDING PROHIBITED CONDUCT ONBOARD TRANSIT VEHICLES AND PROHIBITED ACTIONS ON OR ABOUT A TRANSIT FACILITY OR A BUS STOP

RECOMMENDATION:

That the MTS Board of Directors adopt the attached (Attachment A) ordinance entitled "An Ordinance Regarding Prohibited Conduct Onboard Transit Vehicles and Prohibited Actions on or About a Transit Facility or a Bus Stop" and direct publication of an ordinance summary.

Budget Impact

The total estimated cost for signs and stickers is approximately \$19,084 (\$55 for each sign located at 53 stations for a total estimated cost of \$14,750 [250 signs plus spares]; and \$.75 per sticker for each bus stop and some placements at transit centers for a total estimated cost of \$4,509 [5,712 stickers plus spares]).

The American Lung Association has offered \$1,000 to help offset costs, and Supervisor Robert's has also offered \$5,000. Staff is currently seeking other funding sources to help cover installation costs.

With respect to enforcement, staff does not anticipate hiring additional Code Compliance officers to enforce this particular section of the ordinance. Proposed enforcement procedures are outlined as follows.



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.

DISCUSSION:

At its February 9, 2006, meeting, the Board of Directors approved in concept a ban on smoking at all transit facilities, transit centers, and bus stops. The Board directed General Counsel to amend Ordinance No. 13 to include appropriate provisions to implement this ban upon the close of escrow for the Grossmont Trolley Station Joint Development Project.

History

MTS has received comments and complaints for a number of years regarding smoking at bus stops and transit stations. At the request of Board Member Emery, staff was asked to research whether MTS can regulate smoking at transit stations and bus stops. The following summarizes the current state and local laws regarding smoking.

California Health and Safety Code (Cal. H&S) section 118875, also known as the California Indoor Clear Air Act (ICAA), was enacted in 1976 and provides that "tobacco smoke is a hazard to the health of the general public." The ICAA also specifies that "a local government body may ban the smoking of tobacco, or may regulate smoking in any manner not inconsistent with this article and Article 3 (commencing with section 118920) or any other provision of state law." The provisions of the ICAA govern the prohibition of smoking indoors.

In 1995, the Legislature enacted Cal. H&S sections 118920-118945, which prohibit smoking:

... in any vehicle of a passenger stage corporation, the National Railroad Passenger Corporation (Amtrak) except to the extent permitted by federal law, in any aircraft except to the extent permitted by federal law, on a public transportation system, as defined by section 99211 of the Public Utilities Code¹, or in any vehicle of an entity receiving any transit assistance from the state.

That chapter goes on to state that every public transportation agency must designate and post a continuous area of not less than 75% of any area made available as a waiting room as nonsmoking (Cal. H&S § 118935[a]). Public transportation agencies are also required to post signs prohibiting smoking in any building where tickets, tokens, or other fare media are sold (Cal. H&S § 118935[b]). Finally the chapter concludes by stating it does not prohibit "any local ordinance on the same subject where a local ordinance is more restrictive to the benefit of the nonsmoker" (Cal. H&S § 118940).²

Based on Cal. H&S and relevant California case law, the General Counsel believes MTS has the authority to regulate smoking within its transit facilities.

¹ Public Utilities Code section 99211 specifies: "Public transportation system" means any system of an operator which provides transportation services to the general public by any vehicle which operates on land or water, regardless of whether operated, separated from, or in conjunction with other vehicles."

² Cal. H&S § 118945 concludes by specifying any violation of the article constitutes an infraction punishable by a fine not exceeding \$100 for the first violation, \$200 for the second violation within one year, and \$500 for each subsequent violation within one year.

This item is being placed before the Board for its final reading. The revision of Ordinance No. 13 is provided in Attachment A.

Proposed Enforcement Procedures

The MTS Security Department would prioritize the new no smoking ordinance in the same way as other "quality-of-life issues." During deployments, officers would be instructed to be mindful of the new restriction and given a copy of the exact ordinance so they would be well versed in its interpretation and the proper enforcement techniques. Enforcement would begin with educating the riding public in the form of informational warnings where applicable. This information campaign, in concert with other informational bulletins, would provide a considerable amount of pre-enforcement notifications.

There is no projected fiscal impact with respect to the enforcement of this ordinance as indicated above.



Paul G. Jablonski
Chief Executive Officer

Key Staff Contact: Tiffany Lorenzen, 619.557.4512, Tiffany.Lorenzen@sdmts.com

JAN18-07.7.AMENDORDNO13.TLOREN

Attachment: A. Proposed Amended Codified Ordinance No. 13

SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD SYSTEM

CODIFIED ORDINANCE NO. 13
(as Adopted 8/9/01 and amended 6/9/05 12/14/06)

An Ordinance Regarding Prohibited Conduct Onboard Transit Vehicles
and Prohibited Actions on or About a Transit Facility, Trolley Station, or Bus Stop

The Board of Directors of the San Diego Metropolitan Transit System ~~Development Board~~ (MTDBS) do ordain as follows:

Section 13.1: General

The use of the San Diego Metropolitan Transit ~~Development Board~~ System (MTSDB) facilities shall be conditioned upon the observance of this ordinance or any rules and regulations hereafter promulgated by MTDBMTS or pursuant to its authority; all rights, privileges, licenses and permits, express or implied, for the use of MTDBMTS facilities are revocable; and each such right, privilege, license or permit shall at the option of MTDBMTS or its duly authorized representative be revoked and canceled by and upon the breach of this ordinance or of the violation while in or upon MTDBMTS facilities or any applicable laws or ordinances.

Nothing herein contained or omitted from this ordinance shall be construed to relieve any person whatsoever from exercising all reasonable care to avoid or prevent injury or damage to persons or property.

Any requirement or provision of these rules relating to any prohibited act shall respectively extend to and include the causing, procuring, aiding or abetting, directly or indirectly, of such act; or the permitting or the allowing of any minor in the custody of any person, doing any act prohibited by a provision hereof.

Any act otherwise prohibited by these rules shall be lawful if performed under, by virtue of, and strictly in compliance with the provisions of an agreement, permit, or license issued or approved by MTDBMTS and/or San Diego Trolley, Inc. (SDTI), and/or San Diego Transit Corporation (SDTC), and to the extent authorized thereby.

These rules are in addition to and supplement all applicable laws or ordinances.

Section 13.2: Definitions

The following terms, as used in this ordinance shall, unless otherwise expressly stated or unless the context clearly requires a different interpretation, have the following meaning.

A. Bicycle - A "bicycle" is a device upon which any person may ride, propelled exclusively by human power through a belt, chain, or gears, and having two wheels.

B. Bus - A "bus" is any motor vehicle, other than a motortruck or truck tractor, designed for carrying more than 10 persons including the driver, and used or maintained for the transportation of passengers, except that any motor vehicle, other than a motortruck or truck tractor, designed for carrying not more than 12 persons, including the driver, which is maintained and used in the nonprofit transportation of adults to and from a work location as part of a carpool program or when transporting only members of the household of the owner thereof, shall not be considered to be a bus for the purposes of this section.

C. Bus Stop – A “bus stop” is a designated area marked by a sign depicting a specific route number or numbers for the loading and unloading of passengers from or onto a bus, which may or may not include a bench or shelter.

DE. Facility or Transit Facility – A “facility” or “transit facility,” includes, but is not limited to, transit centers, rail stations, bus shelters, and bus stops on public or private property.

ED. Pedestrian – A “pedestrian” is any person who is afoot or who is using a means of conveyance propelled by human power other than a bicycle.

FE. Trolley – A “trolley” is a vehicle which is propelled by electric power obtained from overhead trolley wires and is operated upon rails.

G. Trolley Station – A “trolley station” is a designated area marked by a sign depicting a specific line; i.e., Orange, Blue, Red, Green, etc., for the loading and unloading of passengers from or onto a trolley, which may or may not include a bench or shelter.

HG. Transit Vehicle – A “transit vehicle” shall mean buses and trolleys, or any other form of public conveyance utilized, owned, or controlled by MTS, SDTI, or SDTC.

Section 13.3: Fares

Passengers shall be permitted on a transit vehicle or in a transit station owned, controlled, or used by MTDBMTS or its subsidiaries or contractors only upon payment of such fares and under such circumstances as may from time to time be ordained by MTDBMTS. It is unlawful for any person to refuse to pay, or to evade or attempt to evade the payment of such fares.

(Section 13.3 amended 6/9/05)

Section 13.4: Prohibited Conduct Onboard Transit VehiclesBuses and Trolleys

It shall be unlawful for passengers or occupants while aboard a bus or trolley while the vehicle is transporting passengers in regular route service, contract, special, or community-type service, within the MTDBMTS jurisdictional area to:

A. Consume any food or beverage, except that passengers may consume beverages while onboard a trolley if the beverages are contained in a spill-proof or screw-top container or bottle. Examples of such spill-proof or screw-top containers or bottles include, but are not limited to, water bottles and soda bottles with screw tops, personal beverage containers with snap-on or screw-on lids, and coffee cups or mugs with snap-on or screw-on lids.

B. Smoke or carry a lighted or smoldering pipe, cigar, cigarette, or tobacco in any form.

C. Operate any radio, phonograph, tape player, or other such instrument that is audible to any other person on the a transit vehicle.

D. Expectorate.

E. Discard litter.

F. Extend his/her head, hand, arm, foot, leg, or other portion of the body through any window.

G. Interfere in any manner whatsoever with the operator or operation of any the bus or trolley.

- H. Possess an open alcoholic beverage container, irrespective of whether the container is spill-proof or screw-top.
- I. Ride any bike, skateboard, or scooter.
- J. No person shall put his foot on any seat provided for any passengers on a bus or trolley, or place any article on such seat which would leave grease, oil, paint, dirt, or any other substance on such seat.
- K. No person shall activate without justification, mutilate, deface or misuse in any manner, any safety device or intercom located onboard a bus or trolley.
- L. No person shall ride upon the outside or roof of any bus or trolley.

(Section 13.4 amended 12/14/066/9/05)

Section 13.5: Prohibited Actions on or About thea Transit Facility

- A. No person (except ~~MTD~~BMTS/SDTI/SDTC employees, agents, or authorized visitors) shall enter upon the roadbed, tracks, structures, right-of-way, or other parts of ~~thea~~ transit facility, which are not open to passengers or to the public.
- B. No person shall drink any alcoholic beverage or possess an open alcoholic beverage container on or in ~~thea~~ transit facility except on premises licensed therefor.
- C. No person shall sit, lie, or stand with any portion of his/her body extending within 8 feet 6 inches of the centerline of the outside rail on straight track of within 9 feet 6 inches of the centerline of the outside rail on curved track except while entering or alighting from a trolley stopped at that station.
- D. No person shall injure, deface, destroy, loosen, remove, or tamper with the transit facility.
- E. No person shall injure, mutilate, deface, alter, change, displace, remove, or destroy any sign, notice, signal, or advertisement on the transit facility.
- F. No person shall interfere with any lamp, electric light, electric fixture, or density on the transit facility.
- G. No person shall write, paint, or draw any inscription or figure on or deface any transit facility.
- H. No person shall disobey or disregard the notices, prohibitions, instructions, or directions on any sign posted on the transit facility.
- I. No person shall interfere with, encumber, obstruct, or render dangerous any transit facility.
- J. No person shall throw or project a stone or other missile at any trolley, bus or at any person or thing on or in the transit facility.
- K. No person shall throw or project a stone or other missile from any transit facility or transit vehicle.

L. No person shall fail or refuse to comply with any lawful order or direction of any MTS inspector, security officer, whether an employee or designated agent of MTS, or any peace officer.

M. No person shall do, aid, abet, or assist in doing any act which may be dangerous, harmful, or injurious to any person or property within the transit facility, said act being not specifically prohibited herein.

N. No person shall put his foot on any seat provided for any passengers of the transit facility or place any article on such seat which would leave grease, oil, paint, dirt, or any other substance on such seat.

O. No person shall urinate or defecate in or upon unauthorized locations on the transit facility.

P. No person shall post, distribute, or display commercial signs, advertisements, circulars, handbills, or written material of a commercial nature on or within the transit facility, nor shall any person engage in any verbal solicitations of a commercial nature on or within said transit facility.

Q. No person shall climb upon or jump the trolley couplers.

R. No person shall discard litter in any transit facility or transit vehicle.

S. No person shall loiter in the immediate vicinity of any posted property.

(Section 13.5 amended 12/14/066/9/05)

Section 13.6: Animals

No person shall bring, carry unto, or convey upon the transit facility, a dog, or other animal, unless it is completely enclosed in a carrying case, which can be accommodated in the lap of a passenger with no danger or annoyance to other passengers. This rule shall not apply to a "service" or "assistance" animal. A "service" or "assistance" animal is trained to assist persons with disabilities. Such animals shall be properly harnessed when possible. MTDBMTS reserves the right to inquire about the status of such animals.

Section 13.7: Meetings

No person shall hold any meeting, perform any ceremony, make any speech, address or oration, exhibit, or distribute any sign, placard, notice, declaration, or appeal of any kind or description within any transit facility or upon any transit vehicle or platform without written permit from an MTDBMTS official.

Section 13.8: Selling, Peddling, Leasing, Etc.

No person shall exhibit, sell, or offer for sale, hire, lease, or let out in or about the transit facility or a transit vehicle any object or merchandise, whether corporeal or incorporeal, except concessions under contract to MTDBMTS.

Section 13.9: Bicycles

Bicycles are permitted on transit vehiclestrolleys under the following conditions:

- A. Bicyclists must be at least 16 years of age and have a valid proof of payment of fare.
- B. Only one bicycle is allowed onboard a trolley during the hours of 6:00 a.m. to 9:00 a.m. and 3:00 p.m. to 6:00 p.m. weekdays. At any other time, no more than two bicycles per trolley will be allowed. No bicycles will be permitted in the aiseways at any time.
- C. Bicycles will be permitted to board vehicles-trolleys at the rear doors only and must be placed against the rear driver's cab. ~~No more than two bicycles per car will be allowed and no bicycles will be permitted in the aiseways at any time.~~
- D. Bicyclists must remain with their bicycles at all times.
- E. When part of a group charter, more than two bicycles per car ~~will~~ may be permitted at the sole discretion of MTS ~~any time.~~

(Section 13.9 amended 12/14/06/9/05)

Section 13.10: No Smoking at any Transit Facility or Bus Stop

No person shall smoke any materials, whether tobacco, or any other product, using any device, cigarette, cigar, pipe, or any other apparatus, or utilize any smoking device, cigarette, cigar, pipe, or other apparatus, at the following locations owned, operated, or controlled by MTS, SDTI and/or SDTC:

- A. Within 25 feet from any bus stop;
- B. Within 25 feet of any trolley station; and
- C. Within 25 feet of any transit facility.

JAN.18-07.7.ATTA.ORDINANCE13.TLOREN

Amended: 12/14/06
Amended: 06/09/05
Amended: 05/26/05
Amended: 10/28/04
Adopted: 8/9/01



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

CIP 11164

January 18, 2007

SUBJECT:

MTS: LRV TRACTION MOTORS REPAIR AND REHABILITATION SERVICES
AGREEMENT – WORK ORDERS

RECOMMENDATION:

That the Board of Directors:

1. accept the assignment of the LRV Traction Motors Repair and Rehabilitation Services Agreement from the San Diego Association of Governments (SANDAG); and
2. authorize the Chief Executive Officer (CEO) to issue Work Order Nos. 07-01 and 07-02 (Attachments A and B) to Siemens Energy and Automation for rehabilitation of 30 U2 traction motors for a cost not to exceed \$1,707,396 and for U2 traction motor repairs as needed for a cost not to exceed \$500,000, respectively.

Budget Impact

The total cost of both work orders (\$2,207,396) would come from FY 07 and FY 08 capital project LRV Traction Motor Rehabilitation (WBS #11164-0800).

DISCUSSION:

On November 1, 2005, SANDAG awarded a U2 LRV Traction Motor Rehabilitation and Repair Services contract to Siemens Energy and Automation. The total agreement was not to exceed \$5,000,000 for a four-year base period with an option for a one-year extension. The intent of the project was to issue individual work orders for a specific




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.

amount as funds become available. Task Order No. 1 was issued by SANDAG also on November 1, 2005, for rehabilitation of 16 U2 traction motors for \$887,635.36. All work on that task order was completed by October 2006.

For FY 07, two new work orders are needed to continue the process. Since capital funding for this project was transferred to MTS from SANDAG, the services agreement for this project is being assigned to MTS so we can continue with the new work orders. The contract assignment document is attached (Attachment C).

Two work orders are proposed for approval from CIP 11164. One work order is for rehabilitation of 30 U2 traction motors to continue ongoing rehabilitation work. The second work order is for extra repair work that is outside of the scope of normal rehabilitation.

The original contract allowed for annual price escalations tied to the Consumer Price Index and dollar/euro exchange rate adjustment based on the average exchange rate in the previous 12 months. The attached work orders reflect these two adjustments.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Russ Desai, 619.595.4908, russ.desai@sdmts.com

JAN18-07.8.LRV MOTORS.RDESAI

Attachments: A. Work Order No. 07-01
B. Work Order No. 07-02
C. Reassignment Agreement



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

Att. A, AI 8, 1/18/07, CIP 11164

DRAFT

January 18, 2007

MTS Doc. No. L0794.0-07
Work Order No. 07-01
CIP 11164

Mr. Noel D'Sa
Business Unit Manager
Siemens Energy & Automation, Inc.
108 Technology Drive
Alpharetta, GA 30005

Dear Mr. D'Sa:

Subject: MTS DOC. NO. L0794.0-07, WORK ORDER NO. 07-01, U2 LRV TRACTION MOTOR
REHABILITATION AND REPAIR SERVICES AGREEMENT

This letter will serve as our agreement for services to be provided under the U2 LRV Traction Motor Rehabilitation Services Agreement as further described below.

SCOPE OF SERVICES

Provide U2 light rail vehicle (LRV) traction motor rehabilitation services on up to 30 Siemens U2 LRV traction motors in accordance with the terms and conditions of the U2 LRV Traction Motor Rehabilitation Services Agreement.

SCHEDULE

The delivery schedule shown on Appendix A of the original contract shall apply for all work under this work order. All work under this work order shall be completed by January 31, 2009.

PAYMENT

Payment of \$56,913.20 per the attached cost breakdown, including all labor, materials, taxes, and freight shall be made upon completion and acceptance of each Siemens U2 LRV traction motor by SDTI. The total cost for all 30 U2 LRV traction motors under this work order shall not exceed \$1,707,396.

All other terms and conditions of the original LRV Traction Motor Rehabilitation and Repair Services Agreement shall apply. If you agree with the above, please sign below and return the document marked "Original" to Traci Bergthold at MTS. The second copy is for your records.

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

Noel D'Sa
Business Unit Manager

JAN18-07.8.AttA.SIEMENS.RDESAI

Date: _____

SAN DIEGO ASSOCIATION OF GOVERNMENTS

PRICE CALCULATION

11/30/06

Old price	\$55,477.21
CPI	2.06%
New price adjusted for CPI	\$56,621.15
Exchange rate affects 57% of volume	57%
Old exchange rate	1.22
Average 2005/2006 exchange rate	1.23104
New price: new price adjusted for CPI x average New exchange rate/old exchange rate x 57% + new price adjusted for CPI x 43%	56913.204
New Price	\$56,913.20



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Att. B, AI 8, 1/18/07, CIP 11164

DRAFT

January 18, 2007

MTS Doc. No. L0794.0-07
Work Order No. 07-02
CIP 11164

Mr. Noel D'Sa
Business Unit Manager
Siemens Energy & Automation, Inc.
108 Technology Drive
Alpharetta, GA 30005

Dear Mr. D'Sa:

Subject: MTS DOC. NO. L0794.0-07, WORK ORDER NO. 07-02, U2 LRV TRACTION MOTOR
REHABILITATION AND REPAIR SERVICES AGREEMENT

This letter will serve as our agreement for services to be provided under the U2 LRV Traction Motor Rehabilitation Services Agreement as further described below.

SCOPE OF SERVICES

Provide U2 light rail vehicle (LRV) traction motor repair services not included in the motor rehabilitation work order. The contractor shall submit the extent of such work together with a cost estimate and additional time needed for each traction motor to the SDTI Project Manager for approval.

SCHEDULE

The contract shall propose and submit the additional time required for such work to the SDTI Project Manager for approval. Once approved, this extra time will be added to the original time allowed for rehabilitation work under Work Order No. 07-01 or stand alone for that motor if it is not part of the rehabilitation work order.

PAYMENT

The contractor shall be paid an amount preapproved by the SDTI Project Manager for each traction motor upon completion of work. The total cost for all traction motors needing such extra motor repair work under this work order shall not exceed \$500,000.

All other terms and conditions of the original LRV U2 Traction Motor Rehabilitation and Repair Services Agreement shall apply. If you agree with the above, please sign below and return the document marked "Original" to Traci Berghold at MTS. The second copy is for your records.

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

Noel D'Sa
Business Unit Manager

JAN18-07.8.AttB.SIEMENS.RDESAI

Date: _____

ORIGINAL

MTS Doc. No. L0794.0-07
File No. OPS 970.6

Project Number: 1140000
Contract Number: 5000479

**Assignment of Contract For
San Diego Association of Governments
REHABILITATE SIEMENS KB2021 TRACTION MOTORS
(SIEMENS ENERGY AND AUTOMATION, INC.)**

Att. C, Al 8,

1/18/07, CIP 11164

THIS ASSIGNMENT AND ASSUMPTION OF CONTRACT FOR REHABILITATION OF SIEMENS KB2021 TRACTION MOTORS, herein after "Assignment," is made and entered into on this 1st day of November 2006, between the San Diego Association of Governments (SANDAG), a public agency (hereinafter "Assignor"), the Metropolitan Transit System (MTS), a transit development board (hereinafter "Assignee"), and Siemens Energy and Automation, Inc. (Contractor).

WHEREAS, Assignor entered into an Rehabilitation of Siemens KB2021 Traction Motors Contract with Contractor on November 1, 2005, for Contract Number 5000479; and

WHEREAS, Assignor and Assignee have agreed to Addendum Number Three to the Master Memorandum of Understanding between SANDAG and the Metropolitan Transit Development Board (now known as MTS) and the Addendum defines Assignee as a subrecipient of Federal Transit Administration (FTA) funds consistent with the requirements of the FTA Master Agreement; and

WHEREAS the Addendum calls for Assignor and Assignee to identify projects within the Capital Improvement Program (CIP) that should be designated as preventative maintenance or operations-related projects and assigned to MTS and the Rehabilitation of Siemens KB2021 Traction Motors have been identified as such a project;

NOW THEREFORE, the parties agree as follows:

1. FOR VALUABLE CONSIDERATION, Assignor hereby assigns, transfers, and sets over unto Assignee all of Assignor's right, title, and interest in the Rehabilitation of Siemens KB2021 Traction Motors, Contract Number 5000479, a copy of which is incorporated herein by reference.
2. FOR VALUABLE CONSIDERATION, Assignee hereby: (i) accepts the assignment of Assignor's interest in the Rehabilitation of Siemens KB2021 Traction Motors Contract; (ii) assumes all of Assignor's obligations under the Contract arising from and after November 1, 2006; and (iii) agrees to fully and faithfully perform each and every term and condition of Assignor under the Rehabilitation of Siemens KB2021 Traction Motors Contract, arising from and after November 1, 2006.
3. Assignor makes no warranty, representation, guarantee, covenant, or averment of any nature whatsoever concerning Contract Number 5000479 being assigned to Assignee.
4. Notwithstanding the foregoing, neither party shall be deemed by virtue of this Assignment to have waived any rights that it may have against the other party at law or in equity for liabilities arising under Contract Number 5000479.

5. Should any suit be commenced to enforce, protect, or establish any right or remedy of any of the terms and conditions of this Assignment, the prevailing party shall be entitled to have and recover from the losing party reasonable attorney fees and costs of suit.
6. Beginning with Task Order Two (2) all Task Orders issued after the effective date of this Agreement shall be made by Assignee to Contractor.
7. This Assignment 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.

THE EFFECTIVE DATE OF THIS AGREEMENT IS on or after November 1, 2006.

IN WITNESS WHEREOF, Assignor, Assignee, and Contractor have caused this Agreement to be executed and delivered as of the date first set forth above.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

By: _____
Executive Director (or designee)

Approved as to form:

By: _____
Office of General Counsel

METROPOLITAN TRANSIT SYSTEM

By: _____
Paul Jablonski, Chief Executive Officer

Approved as to form:

By: _____
Office of General Counsel

Contractor hereby consents to the assignment of this contract from SANDAG to MTS. Consent granted on this ____ of _____ 2006.

Siemens Energy and Automation, Inc.

By: Noel D'Sa, Business Unit Manager, Noel D'Sa
Print Name/Title and Sign



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

FIN 300 (PC 50601)

January 18, 2007

SUBJECT:

MTS: ESCROW AGREEMENT

RECOMMENDATION:

That the Board of Directors approve an Escrow Agreement (Attachment A) with the Bank of New York Trust Company, N.A. as Trustee.

DISCUSSION:

As a part of the funding for the Regional Fare Collection System Project (AFC), MTS received \$19.5 million in State Transportation Improvement Program (STIP) funds. These funds were programmed into four parts:

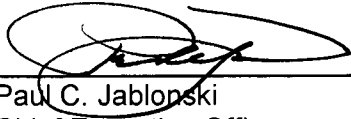
1. repayment to the San Diego Association of Governments (SANDAG) for advances (\$1.3 million);
2. payment of the debt service (\$7.3 million) on December 1, 2006;
3. part of the December 1, 2007, debt service payment (\$1.6 million); and
4. deposit into escrow for final payoff on December 1, 2007, of the remaining balance (\$9.3 million).

The offering (agreement) on the Certificates of Participation (the debt) stipulates that \$9.3 million be placed in escrow upon receipt of the funds from the state. Attachment A is a draft Escrow Agreement with the Bank of New York Trust Company, trustee, which



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upon execution would deposit \$9,325,000 into escrow. These funds would be invested in federal government securities earning approximately 3.0%. The amount to be earned is a programmed (necessary) component of the debt repayment.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tom Lynch, 619.557.4538, tom.lynch@sdmts.com

JAN18-07.9.ESCROW AGMT.TLYNCH

Attachment: A. Draft Escrow Agreement

DRAFT

**SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD
ESCROW INSTRUCTIONS**

**Dated for reference purposes
as of January 25, 2007**

from the

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

to

BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

ESCROW INSTRUCTIONS

These Escrow Instructions, dated for reference purposes as of January 19, 2007 (the "Instructions") are directed to THE BANK OF NEW YORK TRUST COMPANY, N.A., as successor trustee (the "Trustee"), relating to the California Transit Finance Corporation Certificates of Participation, Series 2002-A San Diego Metropolitan Transit Development Board (San Diego Regional Transit Management System Project) ("Certificates"), with reference to the following facts.

RECITALS:

A. Pursuant to the terms of the Supplement No. 2 to Trust Agreement dated as of August 1, 2003 ("Supplement No. 2"), \$32,850,000 aggregate principal amount of Certificates were sold and delivered, of which approximately \$ 19,155,000 aggregate principal amount are outstanding.

B. San Diego Metropolitan Transit System, the successor to the San Diego Metropolitan Transit Development Board ("MTS"), anticipates receiving funds over the next 12 months which it intends to use along with amounts on deposit in the Reserve Fund held by the Trustee pursuant to the Trust Agreement (as defined below) to pay the principal of and interest with respect to the Certificates when due as well as the prepayment price of the outstanding principal amount of the Certificates on December 1, 2007.

C. MTS desires to instruct the Trustee on the deposit and use of such funds and the interest earnings thereon to pay the principal and interest with respect to the Certificates when due as well as the prepayment price of the outstanding principal amount of the Certificates on December 1, 2007.

INSTRUCTIONS:

I. Definitions.

As used in these Instructions the following terms shall have the following meanings:

Escrow Fund

“Escrow Fund” means the fund by that name established under Section 2.1 hereof.

Federal Securities

“Federal Securities” means noncallable and nonprepayable (i) State and local Government Series obligations of the United States of America issued pursuant to 24 C.F.R. Part 344 and purchased directly from the United States Department of Treasury, and (ii) other direct obligations of, or obligations unconditionally guaranteed as to full and timely payment by, the United States of America; provided, that the term “Federal Securities” shall not include mutual funds or unit investment trusts which invest in Federal Securities.

Trust Agreement

“Trust Agreement” means the Trust Agreement dated as of February 15, 2000, by and among the San Diego Metropolitan Transit Development Board, Dai-Ichi Kangyo Bank of California and the California Transit Finance Corporation.

II. Instructions to the Trustee.

MTS hereby directs and instructs the Trustee as follows:

2.1 Escrow Fund. You are hereby authorized and directed to establish a fund to be known as the “Escrow Fund”. Amounts in the Escrow Fund are irrevocably pledged and shall be applied solely for the purposes set forth in the Trust Agreement and in these Instructions. The Escrow Fund shall be maintained by the Trustee until all of the Certificates have been paid in accordance with their terms and these Instructions.

2.2 Deposits to the Escrow Fund; Transfer of Reserve Fund. Between now and the prepayment of the Certificates on December 1, 2007, MTS will periodically make deposits of funds with the Trustee for deposit to the Escrow Fund. On November 15, 2007, the Trustee shall transfer amounts held in the Reserve Fund under the Trust Agreement to the Prepayment Fund to be used along with other amounts transferred from the Escrow Fund to prepay the outstanding principal amount of the Certificates on December 1, 2007. The Trustee shall invest the amounts in the Escrow Fund in Federal Securities as instructed by MTS and shall hold any balance in cash.

2.3 Payments with Respect to the Certificates.

The Trustee shall transfer amounts in the Escrow Fund to the Lease Payment Fund on the dates and in the amounts required to pay the regularly scheduled payments of principal of and interest with respect to the Certificates and shall transfer amounts in the Escrow Fund to the Prepayment Fund for the prepayment of all of the outstanding principal amount of the Certificates on December 1, 2007. Transfers from the Escrow Fund shall be made only from scheduled payments of principal and interest received by the Trustee with respect to the Federal Securities listed on Schedule A hereto, the earnings on any investment of such scheduled payments and uninvested cash balances therein. Under no circumstances shall the Trustee sell, transfer, liquidate or redeem prior to maturity the Federal Securities listed on Schedule A hereto unless the Trustee shall first have received the information provided in Section IV. C. hereof.

2.4 Instructions to Notify Holders. The Trustee is hereby directed to provide irrevocable notice of redemption of all of the outstanding principal amount of the Certificates on December 1, 2007, in accordance with the Trust Agreement.

III. Instructions to the Trustee Regarding Excess Amounts.

After making the final payment of principal of and interest with respect to the Certificates on December 1, 2007, the Trustee shall transfer any excess amounts held by it on deposit in the Escrow Fund to MTS to be used by MTS for any lawful purpose.

IV. Accounting for and Application of Escrow.

A. The money and securities from time to time held hereunder shall not be subject to withdrawal by MTS or otherwise subject to its order, except as otherwise provided in subsection B and subsection C of this Section and in Section V.

B. There shall be no redemption prior to maturity of, or substitution for, securities held hereunder; provided, however, that the Trustee shall redeem securities held hereunder and substitute other securities for securities held hereunder if such substituted securities are Federal Securities and if the Trustee has received (1) a written request of MTS requesting such redemption and substitution, and (2) an opinion of nationally recognized Certificate counsel to the effect that such substitution will not adversely affect the exemption from federal and state income taxes of interest on the Certificates or the Certificates.

V. Reinvestments.

Upon receipt of (1) written instructions from MTS, and (2) an opinion of nationally recognized bond counsel to the effect that such substitution will not adversely affect the exemption from federal and state income taxes of interest on the Certificates, the Trustee shall reinvest amounts received as principal and interest upon the maturity of the Federal Securities, to the extent permitted by federal regulations, in other Federal Securities maturing in each case on or before the date funds are required to pay the principal of and interest with respect to the Certificates on the dates and in the amounts when due in an amount at least equal to the purchase price of such Federal Securities

Under no circumstances shall any moneys held hereunder be reinvested in securities or obligations, the acquisition of which would cause the Certificates to be an "arbitrage Certificate" as defined in Section 148(a) of the Internal Revenue Code of 1986 and relevant regulations of the United States Board of the Treasury, or in securities other than Federal Securities.

VI. Possible Deficiencies.

A. If at any time it shall appear to the Trustee that the moneys held hereunder, including any interest on and the principal of the securities held hereunder, will not be sufficient to make any payment needed to pay the principal of and interest with respect to the Certificates when due and in connection with the prepayment of the outstanding principal amount of the Certificates on December 1, 2007 (the "Certificate Requirements"), the Trustee shall notify MTS in writing as soon as reasonably practicable of such fact, the amount of such deficiency and the reason therefor.

B. Thereupon MTS may forthwith deposit with the Trustee, from any legally available moneys, such additional moneys as may be required to meet fully the Certificate Requirements.

VII. Character of Deposit.

A. It is recognized that title to the securities and moneys accounted for hereunder from time to time shall remain vested in MTS but subject always to the prior charge and lien of the Trust Agreement for the benefit of the Owners (as such term is defined in the Trust Agreement) of the Certificates and the use thereof required to be made by the provisions hereof.

B. The Trustee shall hold all such securities and moneys as special trust funds and accounts separate and wholly segregated from all other securities and funds held by the Trustee or deposited therewith, and shall never commingle such securities or moneys with other securities or moneys.

C. The Trustee shall have no lien and shall assert no lien on the securities and moneys accounted from hereunder for the payment of any of its fees as Trustee.

VIII. Purchasers' Responsibility.

The purchasers and holders from time to time of the Certificates shall in no manner be responsible for the application or disposition of the proceeds thereof nor of any moneys or securities held hereunder.

IX. Irrevocability.

A. Except as herein provided these Instructions shall be irrevocable and not subject to amendment after any of the Certificates shall have been issued.

B. If, however, in carrying out their respective duties under these Instructions, MTS or the Trustee shall find that by reason of some error or omission or otherwise in the provision hereof an amendment is desirable in order to give effect of the true intention and purpose of these Instructions, one or more amendments may be executed by MTS and the Trustee without the consent of the holders of the Certificates or the Certificate Insurer, but only if such amendment is not materially adverse to the interests of the holders of the Certificates or the Certificate Insurer and only for one or more of the following purposes:

(1) to cure any ambiguity or formal defect or omission in these Instructions; or

(2) to grant to or confer upon the Trustee for the benefit of such holders any additional rights, remedies, powers or MTS that may lawfully be granted to or conferred upon such holders or the Trustee or any of them.

X. Time of Essence.

Time shall be of the essence in the performance of the obligations from time to time imposed upon the Trustee and MTS by this instrument.

XI. Successors.

A. Wherever herein MTS or the Trustee is named or is referred to, such provision shall be deemed to include any successors of MTS or the Trustee, respectively, immediately or intermediate, whether so expressed or not.

B. All of the stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, MTS or the Trustee contained herein:

(1) shall bind and inure to the benefit of any such successor, and

(2) shall bind and inure to the benefit of any officer, board, MTS, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of MTS or the Trustee, respectively, or of

its successor, the possession of which is necessary or appropriate in order to comply with any such stipulations, obligations, agreements or other provisions hereof.

XII. Counterparts.

These Instructions may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

XIII. Role of Trustee.

The Trustee is acting solely as Trustee under the Trust Agreement, and not in its individual capacity, and all provisions of the Trust Agreement relating to the rights, privileges, powers and protections of the Trustee, including without limitation those set forth in Article IV thereof, shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Trustee in connection with these Instructions.

XIV. Notice.

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received upon actual receipt after deposit in the United States mail with postage fully prepaid when sent to the addresses shown below:

If to MTS: San Diego Metropolitan Transit System
 1255 Imperial Avenue, Suite 1000
 San Diego, CA 92101-7490
 Attn: Controller

If to the Trustee: The Bank of New York Trust Company, N.A.
 700 South Flower Street, Suite 500
 Los Angeles, CA 90017
 Attn: Corporate Trust Department

MTS and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

IN WITNESS WHEREOF, the San Diego Metropolitan Transit System and Bank of New York Trust Company, N.A., as Trustee, have each approved, acknowledged and accepted these Instructions, dated for reference purposes as of December 1, 2006.

SAN DIEGO METROPOLITAN TRANSIT
SYSTEM

By: _____

Paul Jablonski, Chief executive Officer

THE BANK OF NEW YORK TRUST
COMPANY,
as Successor Trustee

By: _____
Title: _____

Schedule A
DESCRIPTION OF INITIAL FEDERAL SECURITIES

<u>Type of Security</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Rate</u>
TBD	January 25, 2007	11/26/2007	\$9,325,000	3.0%



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

OPS 970.6

**Draft for
Executive Committee
Review Date: 1/11/07**

January 18, 2007

SUBJECT:

SDTI: UNIFORM SERVICE CONTRACT AWARD

RECOMMENDATION:

That the Board of Directors authorize the SDTI President to execute a five-year contract (SDTI Doc. No. C.O.065.0-07), in an amount not to exceed \$568,837.55, with Prudential Overall Supply for uniform services for San Diego Trolley, Inc. (SDTI).

Budget Impact

Prudential Overall Supply bid prices per year are as follows:

➤	Year 1	\$113,767.51
➤	Year 2	\$113,767.51
➤	Year 3	\$113,767.51
➤	Option Year 1	\$113,767.51
➤	Option Year 2	\$113,767.51

The funds are budgeted under SDTI's operating maintenance funds, which uses federal funds (80 percent federal and 20 percent local).


DISCUSSION:

SDTI provides uniform rental and cleaning services for its Maintenance Department employees as stipulated in the Collective Bargaining Agreement. This contract also includes floor mats and shop towels.



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.

MTS received four responsive bids to its Invitation for Bids for uniform services (see Bid Summary - Attachment B). Prudential Overall Supply was the lowest responsive, responsible bidder for the five-year period at \$568,837.55; therefore, pursuant to MTS policy, staff recommends award of the contract to Prudential Overall Supply.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Peter Tereschuck, 619.595.4902, peter.tereschuck@sdmts.com

JAN18-07.10.UNIFORM CONTRACT.MYNIGUEZ

Attachments: A. SDTI Doc. No. C.O.065.0-07
B. Bid Summary

Procurement Department
100 16th Street
P.O. Box 12251
San Diego, CA 92112-2511
619.238.0100 FAX 619.696.7084

Att. A, AI 10, 1/18/07, OPS 970.6

STANDARD SERVICES AGREEMENT

C.O.065.0-07
CONTRACT NUMBER
OPS 970.6
FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2007, in the state of California by and between the San Diego Trolley, Inc. (SDTI), and the following contractor, hereinafter referred to as "Contractor":

Name: Prudential Overall Supply Address: 740 F Street
Chula Vista, CA 91910
Form of Business: Corporation
(Corporation, partnership, sole proprietor, etc.) Telephone: 619-427-1240

Authorized person to sign contracts: Gene Éclair General Manager
Name Title

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

Provide uniform services to SDTI's at 1341 Commercial Street, San Diego, CA 92111, as stipulated in MTS's Invitation for Bids (IFB), including Responses For Approved (RFA) Equals/Clarifications; and in accordance with the Standard Services Agreement, including the Standard Conditions Services, Federal Requirements, MTS Safety Program, and Prudential Overall Supply's Bid Proposal dated December 5, 2006. If there are any inconsistencies between the IFB, RFA Equals/Clarifications, Standard Services Agreement, including the Standard Conditions Services, and Prudential Overall Supply's Bid Proposal, the following order of precedence will govern the interpretation of this contract:

1. IFB, RFA Equals/Clarifications, and Prudential Overall Supply's Bid Proposal.
2. Standard Services Agreement, Standard Conditions Services, and Federal Requirements.

This contract shall remain in effect for three years with two 1-year options (February 1, 2007, through January 31, 2012) exercisable at SDTI's discretion. The total cost of this contract shall not exceed **\$568,837.55**.

SAN DIEGO TROLLEY, INC. (SDTI)		CONTRACTOR AUTHORIZATION
By: _____ Peter Tereschuck, President-General Manager		Firm: _____
Approved as to form:		By: _____ Signature
By: _____ Office of the General Counsel		Print Name: _____
		Title: _____
AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$568,837.55	620/350/650/380/370/360-53940	2007 through 2012

By: _____ Date _____
Cliff Teller, Interim Chief Financial Officer

Procurement Department
100 16th Street
P.O. Box 12251
San Diego, CA 92112-2511
619.238.0100 FAX 619.696.7084

Att. B, AI 10, 1/18/07, OPS 970.6

UNIFORM SERVICE**BID SUMMARY****Invitation for Bids**

COMPANY NAME	ADDRESS	BID AMOUNT Total of Five (5) Years
*PRUDENTIAL OVERALL SUPPLY	740 F Street Chula Vista, CA 91910	\$ 568,837.55
G & K SERVICES	6440 Flanders, Ste. B San Diego, CA 92121	\$ 569,422.43
ARAMARK UNIFORM SERVICES	5665 Eastgate Drive San Diego, CA 92191	\$ 573,532.25
UNIFIRST CORPORATION	4041 Market Street San Diego, CA 92121	\$ 744,362.51

* Lowest Responsive, Responsible Bidder



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

LEG 461 (PC 50791)

January 18, 2007

SUBJECT:

MTS: POLICIES AND PROCEDURES NO. 18 (JOINT USE AND DEVELOPMENT OF
PROPERTY)

RECOMMENDATION:

That the Board of Directors approve changes to Policy No. 18 as recommended by the
Executive Committee.

Budget Impact

None.

Executive Committee Recommendation

At its meeting on December 7, 2006, the Executive Committee recommended forwarding
this item to the Board for approval.

DISCUSSION:

MTS Board Policy and Procedure No. 18 (Joint Use and Development of Property)
addresses the Board's intention to maximize the potential of its real estate assets
consistent with transportation goals and community development objectives. The Board
has adopted design criteria for joint development consisting of the following goals:

1. integration of transportation facilities into existing and proposed developments to
meet community needs;



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.

2. promotion and enhancement of the use of public transportation;
3. maximization of the recovery of public capital costs and increase of the return on public investments; and
4. enhancement and protection of the transportation corridor and its environs.

The following criteria are currently considered in Policy No. 18:

1. Projects shall be considered that do not negatively impact present or future public transportation facilities.
2. Projects shall be consistent with regional and local community policies and plans.
3. Projects must demonstrate a fiscal benefit to MTS.
4. Projects will be selected based on demonstrated maximization of economic development potential to MTS and the community, increased accessibility to transportation, and responsiveness to community needs for housing, employment, services, or recreational facilities.
5. Projects are encouraged that incorporate public rest rooms for patrons and the public.

On June 15, 2006, staff presented the inventory of potential joint development properties to the Executive Committee. Also discussed was the need to review the existing Policy No. 18 and return to the Executive Committee with any recommended modifications for its direction.

Attachment A shows the suggested changes to Policy No. 18. These changes are based on staff's recent experience in processing the Morena Vista Joint Development Project and the Grossmont Trolley Joint Development Project. The changes clarify the processing of development proposals from private entities or other agencies and the processing of development proposals solicited by MTS. The changes also give the Chief Executive Officer more flexibility to recommend the best process and/or proposal to maximize the agency's asset.

The Executive Committee also gave direction to staff regarding MTS's inventory of real property, developing a priority ranking for the development of these properties, and returning to the Executive Committee with the recommendation including the funding sources of the acquisitions. Staff is currently working on this effort and intends to return to the Executive Committee in February.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tim Allison, 619.595.4903, tim.allison@sdmts.com

JAN18-07.11.POLICYNO18.TALLISON

Attachment: A. Draft Revised Policy No. 18



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

Att. A, AI 11, 1/18/07, LEG 461

Policies and Procedures

No. 18

SUBJECT:

Board Approval: 2/12/04 1/18/07

JOINT USE AND DEVELOPMENT OF PROPERTY

PURPOSE:

It is the intention of the MTS to extract the maximum benefits from and utilization of property owned and acquired by the Board consistent with transportation goals and community development objectives.

BACKGROUND:

Technical studies for the South Line and East Urban Corridor indicated that long-term demand was favorable for future joint development activity. The Board supported this conclusion by adopting design criteria that allows for joint development. Joint development of MTS property achieves four major goals:

1. Integration of transportation facilities into existing and proposed developments to meet community needs;
2. Promotion and enhancement of the use of public transportation;
3. Maximization of the recovery of public capital costs and increase of the return on public investment; and
4. Enhancement and protection of the transportation corridor and its environs.

POLICY:

Joint use and development on MTS rights-of-way will be carried out within the following criteria:

1. Projects shall be considered that do not negatively impact present or future public transportation facilities.
2. Projects shall be consistent with regional and local community policies and plans.



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. Projects must demonstrate a fiscal benefit to MTS.
4. Selection between projects will be based on those that can demonstrate:
 - a. The greatest economic development potential to MTS and the community.
 - b. Increased accessibility to public transportation.
 - c. Responsiveness to community needs for housing, employment, services, or recreational facilities.
5. Projects are encouraged that provide rest rooms that are available to transit patrons and the general public.

The intent of these criteria is to foster competition and maximize the return to MTS to the fullest extent possible.

DEFINITIONS:

~~Airspace~~—The area above any property within the right-of-way and/or ownership of the San Diego & Arizona Eastern (SD&AE) Railway Company or MTS that is capable of other uses without undue interference with the operation of the railway and trolley system.

~~Joint Development~~—The use of property for more than one purpose, including surface and/or airspace development at a transit station, on the right-of-way, or at any other property owned or under the control of the MTS Board. Development is carried out with the active participation of MTS. A joint development may be of any magnitude and may consist of any use that is compatible with public transportation.

~~Joint Use~~—The lease to another agency or individual of property rights owned or under the control of the MTS Board. Development is carried out with the active participation of MTS. A joint development may be of any magnitude and may consist of any use that is compatible with public transportation.

GUIDELINES AND PROCEDURES:

A. Project Proposal Evaluation

~~Projects may be initiated by a private entity, MTS, or other agencies.~~

Development of property If initiated by MTS, shall use the standard Request for Proposals (RFP) procedure as set forth in the MTS Policy No. 4352 ~~shall be used as a general guideline for determining the appropriate process for soliciting the development proposal. Specific procedures for solicitation of each development proposal shall be decided by the Chief Executive Officer based on the nature of the development proposal to be solicited. The Chief Executive Officer may also utilize the services of industry professionals to assist in the~~

solicitation process utilizing the procedures set forth in MTS Policy No. 52 to procure those services.

MTS may also receive unsolicited offers for development from private parties or other agencies. Anyone entity wishingwishing to propose a joint use or joint development project shall present the proposal to the Chief Executive Officer. The Chief Executive Officer and staff, in consultation with local jurisdictions, will analyze the proposal using the process summarized in Exhibit 1 (MTS Joint Development Evaluation and guidelines set forth below. Proposal evaluation procedures and guidelines are as follows:

1. Initial Evaluation of Project-Unsolicited Joint Development Proposals/Joint Development Evaluation Checklist
 - a. Proposals for joint development shall be submitted to the Chief Executive Officer along with sufficient information to allow MTS staff to adequately evaluate the proposal in terms of the joint development checklist (see Exhibit 2 attached) for further consideration. The proposal should demonstrate compatibility with the goals and development criteria set by the Board.
 - b. In addition to the checklist information, developer shall submit a recent (within the last 12 months) statement of financial assets or provide evidence of being bondable the proposal shall include information on the entity proposing the development that demonstrates its mission and vision, financial strength, development capability, successful partnerships and projects, and specific experience with transit-oriented development.
 - c. Using the checklist, tThe Chief Executive Officer will review the proposed project with local agencies having jurisdiction in the project area (cities, County, Centre City Development Corporation [CGDC], Southeast Economic Development Corporation [SEDC], etc.) to determine jurisdictional and community acceptance and support.
 - d. The Chief Executive Officer shall have a minimum of 60 days in which to perform the initial evaluation and make a recommendation to the MTS Board of Directors to either enter into negotiations for an Exclusive Negotiation Agreement (ENA) with the developer, or to reject the proposal, or to propose that additional proposals be solicited for the property development. Additional time may be required to make the determination depending on the complexity of the development proposal. The proposing entity will be notified in writing if additional time is required. If the Chief Executive Officer recommends the MTS Board of Directors enter into negotiations for an ENA without soliciting additional proposals, justification shall be presented to the MTS Board demonstrating the reasons why competition is not in the best interest of MTS.

2. Initial Evaluation of MTS-Solicited Development Proposals

The initial evaluation of MTS-solicited development proposals shall be pursuant to Policy No. 52 or by the procedure utilized by the Chief Executive Officer deemed appropriate based on the nature of the development proposal to be solicited. The evaluation criteria for proposals solicited by MTS shall include those used to evaluate unsolicited proposals. The criteria will be incorporated in the RFP process or other selection method utilized by the Chief Executive Officer.

23. Exclusive Negotiation Agreement

Upon authorization of the MTS Board, the Chief Executive Officer shall execute an ENA with the developer for a period of 180 days or such other term that is mutually acceptable to the parties.

a. Requirements of proposer/developer under the ENA:

- (1) Developer shall provide the Chief Executive Officer with a non-refundable "good-faith deposit," the amount of which shall be determined by the MTS Board by staff based on past experience with similar projects, the total estimated value of the project, the estimated costs of necessary consultants, and the estimated length of negotiations. The amount shall be sufficient to cover reasonable expenses incurred by the Chief Executive Officer in carrying out the analysis of the proposal including staff costs, consultant experts, legal fees, and other direct and indirect expenses incurred by MTS. Alternatively, staff may recommend a monthly rental fee, in lieu of a nonrefundable, good-faith deposit to compensate MTS for the use of its property during the negotiation period.
- (2) Developer shall have 120 days or such other mutually agreed-upon duration to provide the Chief Executive Officer with the following information:
 - (a) A preliminary site plan showing building layout and dimensions, parking, landscaping, and access.
 - (b) Environmental analysis documents acceptable to MTS and to any other governmental entity that would require the environmental evaluation to approve the project pursuant to the California Environmental Quality Act (CEQA) and/or the National Environmental Policy Act (NEPA).
 - (c) Cost estimates and project data for the proposal in sufficient detail to permit adequate financial

analysis by the Chief Executive Officer. MTS will seek a return on its investment consistent with the market value of the property as determined by a professional appraiser approved by MTS. The Chief Executive Officer shall also have the latitude to recommend a higher or lower -rate of return depending on the input from industry experts and contingent on Board approval.

~~(d) Evidence of a firm commitment from key managerial members or tenants of the proposed projects.~~

(de) Evidence of a firm financial plan, including:

1. Evidence of construction financing capability.
2. Evidence of long-term financing capability.
3. Evidence of other financial sources necessary to carry out the project.
4. Financial evidence of similar projects completed within the last five years.

~~Evidence shall consist of a letter of commitment from a financial institution or any reasonably acceptable party providing development capital.~~

(fe) Developer shall provide a written offer to MTS for purchase of land, purchase of lease rights, or other development rights as appropriate to the proposal.

(gf) Developer shall provide a written commitment to meet MTS's goals for Disadvantaged and Women's Business Enterprise (DBE and WBE) participation in construction and operation of the project for a federally funded project consistent with current requirements of MTS and federal regulations.

b. Responsibilities of the MTS under the ENA

- (1) MTS shall entertain no other development proposals for the land in question during the period of the ENA. The ENA shall serve as proof of control of land for acquiring letters of financial commitment by the developer.
- (2) The Chief Executive Officer shall place the good-faith deposit in an interest-bearing account and shall have the

right to draw down from the account payment for reasonable expenses incurred by MTS for such items as land and development rights appraisals, materials, data and other information costs, and other administrative costs expended in the evaluation of the proposal, including staff costs, consultant experts services, and legal fees.

- (3) MTS shall ~~provide the developer with~~ ensure that an appraisal for the fair market value of the fee interest or lease rights or other development rights appropriate to the project is performed by a professional appraiser approved by MTS at the sole cost to the developer.
- (4) After submittal of all pertinent information by the developer, as listed above, to the satisfaction of the Chief Executive Officer, the Chief Executive Officer shall have 60 days or such other agreed-upon term in which to make a recommendation to the MTS Board, ~~either to terminate the ENA, to request more information,~~ or to enter into negotiations for a Development Agreement with the developer.
- (5) If, at the conclusion of the ENA period, the proposal is terminated, the Chief Executive Officer shall return any remaining balance of the good-faith deposit, including any interest accrued thereon to the developer.
- (6) If, at the conclusion of the ENA, a Development Agreement is entered into, the remaining balance of the good-faith deposit, including interest accrued thereon, shall be subtracted from the credited to any additional deposits required as a condition of the Development Agreement, the -cost of land, lease, or other development rights conveyed to the developer by the MTS.

c. Extension of ENA

Either the developer or the Chief Executive Officer may request from the MTS Board an extension of the ~~180-day~~ exclusive negotiation period. The MTS Board will determine whether sufficient progress has been made toward fulfillment of the above requirements in its consideration of extension.

34. Conclusion of Joint Development Evaluation Process

The preceding evaluation process culminates in execution of a Development Agreement to expedite project implementation or in termination and elimination of the proposal.

B. Environmental Documents

MTS will be the lead agency in environmental matters as required by the CEQA of 1970, as amended local, state, and federal law. The local jurisdiction may be the lead agency upon approval from the MTS Board.

C. Development Agreements

Development agreements shall describe the rights and responsibilities of both parties and shall contain, but not be limited to, the following elements:

1. Identification of the parties to the agreement, including prohibition against change, transfer, or assignment of ownership, management, and/or control of developer.
2. Description of the site including a map. If the subject of the lease is an air space development, placement of supports shall be included on the map.
3. Requirement that the developer must secure all necessary permits and approvals from appropriate local agencies.
4. The terms and conditions of the lease including, but not limited to:
 - a. Lease price and payment schedule.
 - b. Conveyance and delivery for possession.
 - c. Payment of taxes and insurance requirement.
 - d. Condition of site at time of beginning and end of lease.
 - e. Financial statement of developer.
 - f. Hold harmless and indemnity clauses.
 - g. Limitations of use and terms of lease.
 - h. Schedule of the MTS approval of all plans and drawings.
5. If the development incorporates a sale of property, the conditions and terms of such sale including, but not limited to:
 - a. Sale or purchase price and payment schedule.
 - b. Escrow instructions.
 - c. Conditions, covenants, restrictions, and other limitations of use as terms of sale.
 - d. Conveyance and delivery of possession.

- e. Form of deed as approved by MTS counsel.
 - f. Condition of title and insurance of title.
 - g. Time and place for delivery of deed.
 - h. Taxes, assessments, and insurance requirements.
 - i. Condition of site at time of sales.
 - j. Financial statement of developer.
 - k. Prohibition of transfer without prior Board approval.
6. The scope of the development of the site including:
- a. Schedule for submission of concept, schematic, construction, grading and landscaping plans and drawings.
 - b. Schedule for local agency and the MTS review, and approval of plans and drawings. The staff review will include but not be limited to:
 - (1) Design of site and improvements.
 - (2) Relationship to the urban design of the community both form and scale.
 - (3) Architectural design and visual continuity.
 - (4) Effects on railway and transit operations.
 - (5) Type and quality of building materials.
 - (6) Energy considerations.
 - (7) Structure location, height, and lot coverage.
 - (8) Parking requirements and design.
 - (9) Streetscape and landscaping.
 - (10) Vehicular entrance and exit.
 - c. Schedule of performance.
 - d. Insurance requirements.

- e. Adherence to antidiscrimination, environmental and all other applicable local, state, and federal laws.
7. Failure of either party to perform, including defaults, remedies, and termination by either party.
8. Ownership of improvements constructed on leased land upon the expiration or termination of lease term.
9. Requirements to restore leased property to original condition upon expiration or termination of lease term.
10. Possible performance bond requirements.
11. Any other general or special provisions deemed necessary by the Board.

D. Inventory of Property

MTS shall identify right-of-way property and facilities and keep such inventory current. All property so inventoried shall be analyzed for its availability for joint use or development by either sale or lease. This inventory shall be reviewed by the MTS Board annually. Included in this inventory will be a listing of all agreements and their current status.

Upon direction from the Board, the inventory shall be assessed and prioritized for potential development opportunities. The ranking should consider potential for investment return, strong developer interest, local agency interest, land use compatibility, and complexity of required land use modifications.

E. Use of Revenue

Revenue obtained from joint use and development of property, including concessions and advertising, will be returned to the MTS General Fund for inclusion in the budget for maintenance, and upkeep operations, and capital improvement of MTS-owned facilities from which the revenue is generated, with any additional revenue being applied by San Diego Trolley, Inc., for the maintenance of the station and/or line segment from which the revenue is generated. Revenue generated from development of property purchased with federal funds will be used by MTS based on approved processes from the federal funding source.

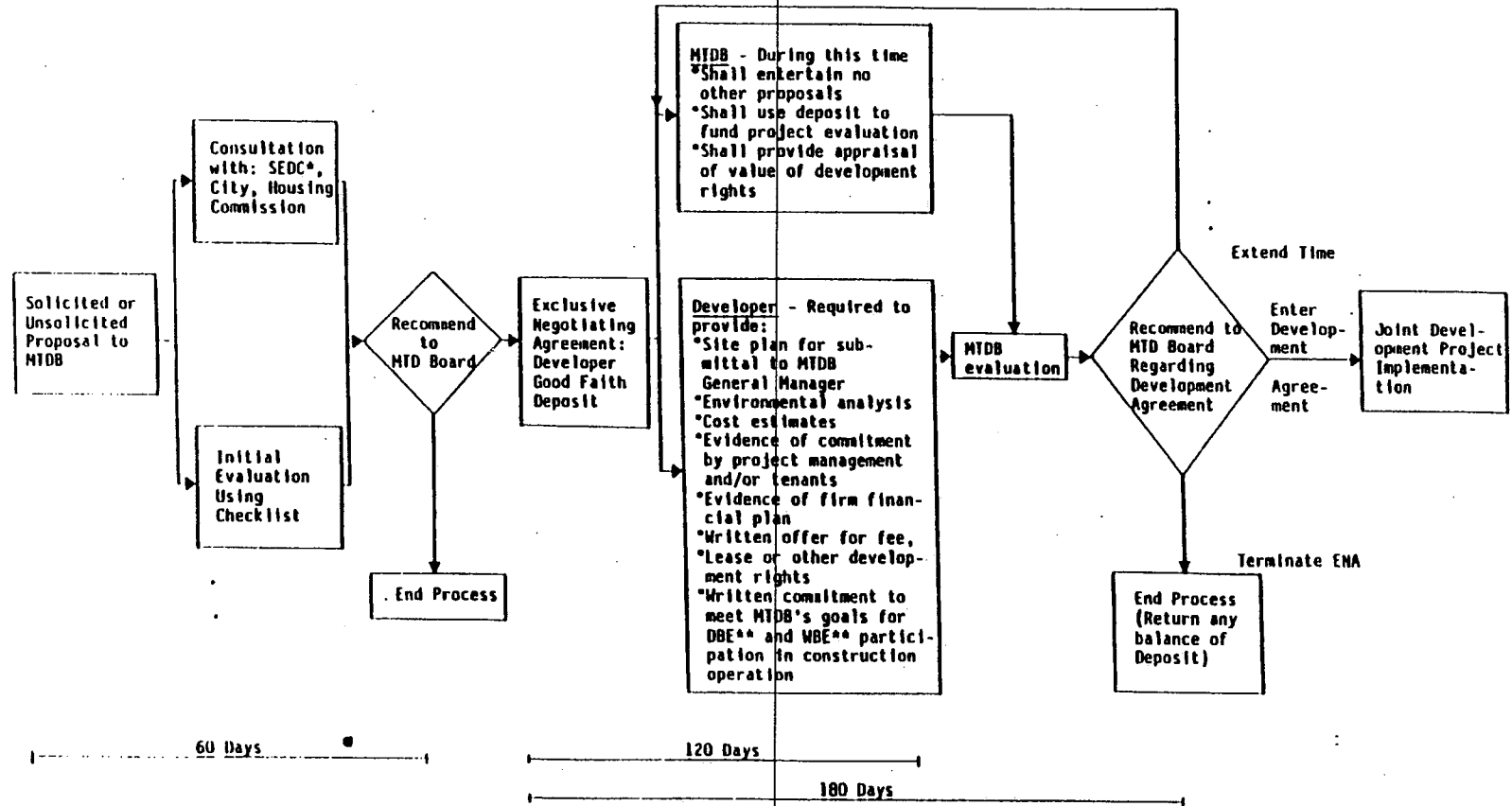
DDarro/JGarde
POLICY.18.JOINT USE & DEV OF PROPERTY
7/12/06

~~Attachments: Exhibit 1~~
~~Exhibit 2~~

Original Policy approved on 3/8/82.
Policy revised on 12/20/84.
Policy revised on 2/8/96.

Policy revised on 6/26/97.
Policy revised/renumbered on 2/12/04.
Policy revised on 1/18/07.

EXHIBIT I
MTDB JOINT DEVELOPMENT PROPOSAL EVALUATION AND IMPLEMENTATION PROCESS



*SEDC: Southeast Economic Development Corporation
 **DBE: Disadvantaged Business Enterprise
 WBE: Women's Business Enterprise

MISCI HBK: gk/ss 11/28/84



EXHIBIT 2

JOINT DEVELOPMENT EVALUATION CHECKLIST

Proposer Data

Name of Firm: _____ Phone Number: _____

Address: _____

Principal: _____

MBE/DBE/WBE: _____

Other Participants (Names and Addresses): _____

Project Data

Project Site: _____

Brief Project Description: Include information on type of Joint Development (lease of ground or airspace, accessibility enhancement, etc.), proposer role (anticipated costs/benefits), and MTDB role (anticipated costs/benefits). (Attach Sketch Plans):

Ground Space Area (Square Feet): _____ Total Structure Area (Square Feet): _____

Time to Construct: _____ Proposed Completion Date: _____

Additional Land/Parking Requirements: _____

Proposed Financing: _____

Number of Jobs Created: _____

Adjacent Land Uses: _____

Brief Project Justification: _____

	RATING
	- 1 2 3 4 5 +
1. TROLLEY COMPATIBILITY AND ENHANCEMENT	
• Will the project increase transit ridership?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Will the project enhance Trolley or freight operation, including rider access?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
2. JURISDICTIONAL (CITY/COUNTY) ACCEPTANCE AND SUPPORT	
• Is the project consistent with approved City/County policies and plans?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
3. PARKING AND TRAFFIC CIRCULATION	
• Will the project include adequate parking for project patrons based on local parking requirements for the proposed uses?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Will the project provide adequate parking for its patrons as well as Trolley users?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Will the traffic impacts caused by the project be mitigated by the proposer?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
4. ENVIRONMENTAL IMPACT	
• Will the proposer mitigate any and all significant adverse air, noise or other environmental impacts?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
5. AESTHETIC COMPATIBILITY	
• Will the project have a positive aesthetic impact on the Trolley station and on the surrounding neighborhood?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Will the project enhance existing landscaping or street furniture?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
6. COMMUNITY ACCEPTANCE AND SUPPORT	
• Is the project likely to be supported by the community?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Will the project meet community needs by providing needed housing, jobs, services, facilities, etc.?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

	RATING
	- 1 2 3 4 5 +
7. FINANCIAL VIABILITY	
• Does a preliminary financial analysis show that project implementation can be successfully financed?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Does the project include a budget and program for project and Trolley promotion?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Does the proposer have a commitment from one or more financial institutions to back the project?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Will the project financially benefit MTDB?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Will the project financially benefit the community (e.g., jobs, redevelopment, taxes)?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Can the facility be easily kept productive if the original proposer goes bankrupt or otherwise quits the project?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
8. CONSTRUCTION COORDINATION AND TIMING	
• Is project construction coordinated with construction and operation of Trolley facilities?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
9. SECURITY	
• Does the project proposal include a plan for providing adequate security for project and Trolley patrons and facilities?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
10. APPLICANT QUALIFICATIONS	
• Does the proposer exhibit the skill and capability required to successfully carry out the proposed project?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
• Is the proposer a Minority Business Enterprise (MBE), a Disadvantaged Business Enterprise (DBE) or a Women Business Enterprise (WBE)?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
OVERALL RATING	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Evaluation Completed by: _____ Date: _____



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

CIP 11183
11061

January 18, 2007

SUBJECT:

MTS: EMERGENCY WORK AUTHORIZATION UNDER POLICY NO 52.4 (C) AND
MTS/SANDAG MOU APPROVAL

RECOMMENDATION:

That the Board of Directors:

1. find that immediate remedial measures are required at the West Park Avenue and L Street grade crossing to comply with Federal Railroad Administration (FRA) Rule Nos. 213.127 and 213.113(7) to replace deteriorated rail and ties to ensure that the system is available to serve the transportation needs of the general public, and that the procurement of construction services in compliance with MTS Policy No. 52.2 is inadequate due to the urgency of the rehabilitation work; and
2. authorize the Chief Executive Officer (CEO) to execute an MOU (in substantially the same format as Attachment A) with the San Diego Association of Governments (SANDAG) to reimburse SANDAG for West Park Avenue and L Street rehabilitation work to be done under a contract change order (CCO) to the Broadway Rail Replacement Project (CIP 11061) for a total cost not to exceed \$350,000.

Budget Impact

The total not to exceed cost of \$350,000 for rehabilitation of one grade crossing track at L Street (Chula Vista) and one grade crossing track at West Park Avenue (San Diego) would come from FY 07 CIP 11183 Blue Line Tie Replacement Project.



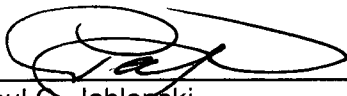
Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and 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.

DISCUSSION:

During a recent routine track inspection, San Diego Trolley, Inc.'s (SDTI's) track maintenance crew found wide gage on eastbound track at L Street (Chula Vista) and westbound track at West Park Avenue grade crossings. Since this condition is in violation of Federal Railroad Administration (FRA) Regulation Nos. 213.127 and 213.113 (7), further investigation was conducted to determine the underlying cause. Upon removal of concrete surrounding the rail, the track maintenance crew discovered that the base of the rail, which is fastened to the wood ties underneath by steel spikes, was so badly corroded that it was not held down by the spikes and was moving freely allowing the gage to widen. Immediate temporary measures were implemented by adding gage rods to maintain the gage and respiking the rail where base corrosion was not extreme. In addition, speed restrictions were imposed for all trolley and freight trains at those locations. These corroded old rails and deteriorating wood ties at both locations need to be replaced with new 115-pound rail, concrete ties, and concrete crossing panels to permanently fix this problem and comply with FRA requirements.

MTS Board Policy No. 52.4 (C) allows the CEO to authorize the expenditure of funds previously appropriated by the Board specifically for the direct purchase of goods and services, without observance of Section 52.2, if it is determined that procurement of services in compliance with Section 52.2 is inadequate and upon finding that immediate remedial measures are required to avert or alleviate damage to or to repair or restore damaged or destroyed property of the agencies are necessary in order to ensure that the facilities of the agencies are available to serve the transportation needs of the general public or to comply with any state or federal regulation with respect to the operation of public transportation service. Staff believes that all of these provisions apply to the current conditions at L Street and West Park Avenue grade crossings.

SANDAG is currently in the process of awarding the Broadway Rail Replacement Project to West Coast General Contracting Company. The nature of the work is very similar on the Broadway Rail Replacement Project and the L Street/West Park Avenue crossing rehabilitation, and the contractor is highly qualified for this type of work. MTS and SANDAG staffs each agree that issuing a CCO for L Street and West Park Avenue crossing work on the Broadway Rail Replacement Project is the quickest and most effective way to conduct the repairs. An MOU (Attachment A) between MTS and SANDAG was prepared for approval so that MTS could reimburse SANDAG for the cost of rehabilitating L Street and West Park Avenue grade crossing and track work on a CCO to the Broadway Rail Replacement Project.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Russ Desai, 619.595.4908, russ.desai@sdmts.com

JAN18-07.12.TRACK REHAB.RDESAI

Attachment: A. MOU between MTS and SANDAG

**MEMORANDUM OF UNDERSTANDING
BETWEEN SAN DIEGO ASSOCIATION OF GOVERNMENTS
AND METROPOLITAN TRANSIT SYSTEM
REGARDING FUNDING FOR EMERGENCY TRACK REPAIR THROUGH THE
SANDAG RAIL REPLACEMENT BROADWAY PROJECT**

This Memorandum of Understanding ("MOU") is made and entered into effective as of this _____ day of January, 2007, by and between the San Diego Association of Governments ("SANDAG") and Metropolitan Transit System ("MTS").

RECITALS

The following recitals are a substantive part of this Agreement:

WHEREAS, MTS desires to rehabilitate failing track at two street crossings (L Street in Chula Vista and West Park in the City of San Diego) on its light rail transit system (LRT) Blue Line including reconstruction of the track and grade crossing material ("Project"), as expeditiously as possible; and

WHEREAS, MTS has by finding and approval of its Board determined the Project to be urgent in nature and an emergency thereby making the Project eligible under federal guidelines for engaging in a non-competitive procurement for its construction; and

WHEREAS, for purposes of expediency MTS has requested that SANDAG complete the Project through one of SANDAG's existing construction contracts; and

WHEREAS, SANDAG has awarded a construction contract for work of similar scope including rail replacement, track and grade crossing rehabilitation on the MTS LRT system and this contract can be amended by contract change order to include the Project; and

WHEREAS, SANDAG is the regional agency responsible for construction of MTS capital improvements including rail, track and grade crossings and such an amendment would allow for construction of the Project in the most time effective manner to reduce the hazard to rail operations and property; and

WHEREAS, the SANDAG Board has determined that construction of the Project is urgent in nature and an emergency and under its policies and the policies applicable to it as the grantee for the Project from the Federal Transit Administration, may perform this work through a non-competitive procurement; and

WHEREAS, the parties wish to memorialize their agreement in this MOU to carry out the purposes set forth above;

AGREEMENT

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

SANDAG AGREES:

1. To construct repairs and improvements to the crossings at L Street in Chula Vista and West Park in San Diego including, but not limited to: demolition; removal and disposal of 90 lb rail; timber ties and ballast; replacement with new ballast, 115 lb rail, ties and crossing material; and protect and reconnect existing grade crossing protection devices and circuits as required by MTS as generally described in the estimate attached as Exhibit A. The cost of construction includes services provided by SANDAG consultants and staff for engineering and construction management for the work including: design support; administrative support; negotiation of a change order for the improvements; preparation, review, and processing of payments for the work; field inspection and final acceptance.
2. That the not-to-exceed amount referenced below in this MOU consists of the current construction estimate by SANDAG for the work of \$278,600, plus a 10 percent contingency, contract administration, design, and construction management costs, for a total of \$350,000. In the event SANDAG believes this amount will be exceeded, it will notify MTS, and the parties will meet to discuss whether an amendment to this MOU is appropriate.
3. To use any funds provided by MTS under this MOU exclusively for the Project and to return any remaining Project funds to MTS upon completion of the Project.
4. Neither MTS nor any director, officer, agent, or employee thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority, or jurisdiction delegated to SANDAG under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, SANDAG shall fully defend, indemnify, and save harmless MTS, its officers, directors, agents, 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 SANDAG under or in connection with any work, authority, or jurisdiction delegated to SANDAG under this MOU.

MTS AGREES:

1. To fund the full and actual cost for the construction of the Project up to the maximum amount of \$350,000. In the event SANDAG notifies MTS that this amount will be exceeded, MTS will meet with SANDAG to discuss whether an amendment to this MOU is appropriate. In no event shall SANDAG have responsibility to move forward with the Project until the parties are able to identify sufficient funds to complete the work.
2. To pay SANDAG within thirty days of receiving an invoice for work performed on the Project.
3. To SANDAG's use of the firm West Coast General Corporation to construct the Project.
4. To provide staff support on the Project at no cost to SANDAG, to be billed out of the monies paid by MTS to SANDAG, including but not limited to, any staff support or cooperation needed to defend any contractor claims that may arise on the Project.
5. Neither SANDAG nor any director, officer, agent, or employee 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 SANDAG, its officers, directors, agents, 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 the parties under the terms of this MOU are subject to the appropriation of the required resources by the parties and the approval of their respective Boards of Directors.
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 SANDAG

401 B Street, Suite 800
San Diego, CA 92101
Attn: Office of General Counsel

For MTS

1255 Imperial Avenue Suite 1000
San Diego, CA 92101
Attn: Office of General Counsel

3. That unless it is amended by the parties in writing, this MOU shall terminate on September 30, 2007, or on such earlier or later date as the parties may agree to in writing. This MOU shall continue in effect unless and until a party to the MOU gives 60 (sixty) days' written notice of its desire to withdraw from the MOU. If such notice is given, the MOU shall continue to be binding on those parties who have not formally withdrawn.
4. The indemnification provisions 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. 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.
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 ASSOCIATION OF
GOVERNMENTS

MTS

GARY L. GALLEGOS
Executive Director

PAUL C. JABLONSKI
Chief Executive Officer

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Office of General Counsel

Office of General Counsel



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

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 310 (PC 50601)

January 18, 2007

SUBJECT:

MTS: FISCAL YEAR 2008 CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION:

That the MTS Board of Directors:

1. approve the fiscal year 2008 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels. 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;
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 2008 CIP (shown in Attachment A) after the federal appropriations are finalized; and
3. recommend that the SANDAG Board of Directors approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2008 CIP recommendations.

Budget Impact

Pending final approval by the SANDAG Board of Directors, the fiscal year 2008 MTS CIP would be included in the regional 5307 Urbanized Area Formula and Section 5309 grant applications (total federal formula program estimated at \$55.2 million, including local match).



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.

Federal 5311(f) Rural Funds were applied for and granted and are included in the FY 08 CIP totaling \$250,000, including local match.

MTS aggressively pursued earmarks and preliminarily believed that approximately \$2.4 million would be included within the fiscal year 2008 CIP. Staff recently learned that we will be unable to secure these funding sources as Congressional leadership has stated that no earmarks will be funded in fiscal year 2007.

The Department of Homeland Security, within its Transit Security Grant Program, allocated a total of \$1.7 million (including local match) for bus and rail-related security projects.

With Board approval in June 2006, MTS balanced the FY 07 operating budget while shifting \$6.5 million to the FY 08 CIP.

MTS benefited from the state payback of Proposition 42 loans and spillover funds put back in the State Transit Assistance (STA) program. On September 14, 2006, the MTS Board approved this additional \$17.6 million that we are including in our FY 08 CIP.

When the divestiture of the County Transit System (CTS) to MTS on June 28, 2002, all CTS services, facilities, and authorizations for Transit Development Act (TDA) claims were divested to MTS with the exception of the Oceanside and Escondido Transit Centers. There are outstanding TDA claims and TDA reserves that are available for MTS utilization. The total funding availability between TDA and reserves total \$5.9 million.

This total estimated funding of \$87.1 million would result in the utilization of \$29 million in preventive maintenance (fiscal year 2007 operating budget), \$7.9 in debt service, and \$50.2 million in capital funds.

DISCUSSION:

The fiscal year 2008-recommended MTS CIP (Attachment A) would serve as the basis for the federal formula grant applications. The Federal Transit Administration (FTA) requires submission of grant applications to obligate annual appropriations under Section 5309 (Rail Modernization and Fixed-Guideway New Starts) and Section 5307 (Urbanized Area Formula Assistance).

Availability of Section 5307 and Section 5309 Funds

The Section 5307 and Section 5309 funding levels (as indicated within Attachment A) are estimates. We have currently estimated the federal funding levels as a slight increase with fiscal year 2007.

Traditionally, SANDAG has apportioned the formula funds between MTS and the North County Transit District (NCTD) based on population with MTS receiving approximately 70% and NCTD receiving approximately 30% of the Section 5307 funds after the off-the-top funds are programmed for the Regional Vanpool Program. Section 5307 and Section 5309 funds can generally be used to provide 80% of the cost of capital projects and the cost of preventive maintenance activities (which is an

operating cost). The ratio increases to 83% for the “clean-fuel” buses and vehicles meeting the Americans with Disabilities Act (ADA) requirements.

The Section 5307 Urbanized Area Formula program is a block grant program in which each urbanized area over 50,000 in population receives financial assistance to provide public transit. The formula for determining each metropolitan area's share of funds is based on an urbanized area's population, population density, levels of existing fixed-guideway service, and levels of existing bus service and ridership. The Section 5307 program is designed to meet routine capital needs and for urbanized areas over 200,000 in population, such as San Diego County, Section 5307 funds may not be used for operating assistance. However, the Transportation Equity Act for the 21st Century (TEA-21) expanded the definition of capital to include preventive maintenance, thereby, in affect, mitigating the lack of operating assistance. Our estimated allocation for the MTS Section 5307 program is \$33.1 million. This would be matched with local funds of \$8.3 million, which means that this program would provide an estimated \$41.4 million to fund fiscal year 2008 capital projects.

The Fixed-Guideway Modernization Program (also known as Rail Mod) is one of three categories of funding under the Section 5309 Capital Investment Program, which also includes the Bus Capital and Fixed-Guideway New Starts Programs. Unlike the Section 5309 Bus Capital and Fixed-Guideway New Starts Programs, which are designed to assist in meeting extraordinary capital needs and are awarded generally at the discretion of Congress, Section 5309 Rail Mod funds are allocated on a formula basis to rail systems that have been in operation for at least seven years. Eligible projects include the modernization of existing fixed-guideway systems, including rolling stock. For fiscal year 2008, the Section 5309 funds estimated allocation to MTS is \$11 million and would be matched with local funds of \$2.7 million. The program would provide an estimated \$13.7 million to fund fiscal year 2008 capital projects.

Local Match

The local match for these projects will come from the pooled transit finances for the MTS region. While it is likely that the actual funds used would be TDA funds, final decisions on the matching source would be made during the fiscal year 2008 development process.

Development of the MTS Fiscal Year 2008 CIP

The CIP process began in July 2006 with the call for projects. A meeting of the CIP Budget Development Committee was held to review the project list and to develop a CIP recommendation for fiscal year 2008. In accordance with the Capital Projects Selection Process, the CIP Budget Development Committee is comprised of members representing each of the MTS operators: Chula Vista Transit (CVT), MTS, National City Transit (NCT), San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI). Each Committee member was responsible for submitting the capital requests for their agency and the cities it serves. The Committee reviewed and the CEO approved the prioritization of those capital requests. Attachment A provides the recommended fiscal year 2008 CIP.

The recommended CIP assumes \$29 million for preventive maintenance and \$7.9 million for debt service related to the Regional Transit Management System

(10940) and Automated Fare Technology (11132). The remaining projects all compete for the balance of available funding after the preventive maintenance and debt service have been taken into consideration.

The capital project list in Attachment A represents the five-year, unconstrained need for the MTS operators. Each MTS agency submitted its capital project requests in priority order. The lists were consolidated for review by the CIP Budget Development Committee to ensure that operationally critical projects were funded. The Committee reviewed the projects in the context of their impact on operations and determined the most critical projects to fund this year. The remaining projects were deferred; however, it is recognized that the continued deferral of some projects could have negative impacts on system infrastructure in future years.

One of the critical areas with the MTS organization is the need for buses. In the FY 08 CIP, MTS addressed this organizational need and allocated significant available funds toward the procurement of vehicles. Of the \$50.2 million available after preventative maintenance and debt service, \$25.1 million or just under 50% was dedicated to the procurement of buses. This allocation will fund approximately 55 40-foot compressed natural gas (CNG) vehicles, 10 minibuses, and approximately 5 to 6 high-capacity vehicles.

The below table is a summary of the CIP Budget Development Committee recommendations, the major categories that are proposed to be funded, and the percentage of total available funding.

Project Categories	FY 08 Funding	% of Total
Bus Operations Revenue Vehicles	\$ 25,055.1	49.9%
Rail System Infrastructure (Substations, Catenary, Other)	8,270.8	16.5%
ECBMF Land Acquisition	4,000.0	8.0%
ECBMF CNG Station	3,000.0	6.0%
Light Rail Vehicle Components	2,913.5	5.8%
Security	2,128.1	4.2%
Other Facility and Operating Equipment	1,780.0	3.5%
Nonrevenue Vehicles	929.0	1.8%
SANDAG Planning Studies	743.0	1.5%
Miscellaneous Operating Capital	725.0	1.4%
Information Systems Equipment	675.0	1.3%
	<hr/>	
	\$ 50,219.5	100.0%

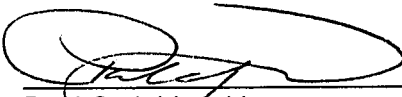
The fiscal year 2008 funding levels represent 23.8% of the total project needs after funding preventive maintenance and debt service.

Five-Year Capital Program Projections

Attachment B summarizes a high-level look at the five-year capital program. The federal Section 5307 and Section 5309 funding levels are projected to increase by 3% for fiscal years 2009 through 2012. The MTS goal and direction is to continue to shift recurring operating revenues that exceed operating expenses to the CIP. As discussed above,

MTS was able to shift approximately \$6.5 million of FY 07 operating revenues into the FY 08 CIP. Our preliminary projection is \$3 million of operating revenues, which will be shifted into the CIP in FY 09, \$3.5 million in FY 10, \$4 million in FY 11, and \$5 million in FY 12. As the Board directed, we capped the preventative maintenance usage at \$29 million in our future projections. The obligation of debt service for both the Radio Transit Management System and the Automated Fare Technology ceases after FY 08. With the above assumptions, the total available funding levels range from \$31.4 million in FY 09 and trend up to \$40.5 million in FY 12.

Total capital needs for fiscal year 2008 and beyond significantly exceed the available projected funding levels. The fiscal year 2008 capital needs total \$211.4 million, and the available funding for the year is 23.8% of total project needs. The disparity between funding levels and capital needs continue. Total project needs over the five-year term are projected to be \$591 million. Projected deficits from fiscal year 2008 to fiscal year 2012 total \$397.6 million. The ratio of total funding to total capital needs over the five-year term is projected at 32.7%.



Paul C. Jablonski
Chief Executive Officer

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Attachments: A. Fiscal Year 2008 Detailed CIP
B. Fiscal Year 2008 CIP Summary

WBS#	PROJECT	Grant	FY08	FY09	FY10	FY11	FY12
	5307 80% Funding Estimate		33,138.1	34,463.6	35,842.1	37,275.8	38,766.8
	TDA Local Match (5307) 20%		8,284.5	8,615.9	8,960.5	9,319.0	9,691.7
	5309 Rail Mod 80% Funding Estimate		10,991.0	11,430.7	11,887.9	12,363.4	12,858.0
	TDA Local Match (5309) 20%		2,747.8	2,857.7	2,972.0	3,090.9	3,214.5
A	5311(f) Rural 80% Funding		200.0	-	-	-	-
	TDA Local Match (5311f) 20%		50.0	-	-	-	-
D	TSGP Funding - Intercity Rail		563.0	-	-	-	-
	TDA Local Match (TSGP Rail) 25%		187.7	-	-	-	-
E	TSGP Funding - Intercity Bus		682.5	-	-	-	-
	TDA Local Match (TSGP Bus) 25%		227.5	-	-	-	-
F	Non Recurring TransNet (BRT) Funding		4,479.7	-	-	-	-
G	Recurring TransNet Funding (From FY07 Operating Budget)		2,019.1	3,000.0	3,500.0	4,000.0	5,000.0
H	STA Spillover Funding		17,607.0	-	-	-	-
I	County of SD TDA Funding (Divestiture Agreement)		2,633.5	-	-	-	-
J	Deferred Revenue - County of SD TDA Funding (Divestiture)		1,083.0	-	-	-	-
K	County of SD Unallocated Reserve Balance (Divestiture)		1,638.1	-	-	-	-
L	TDA Capital Reserves - CTS Suburban/CTS Paratransit (Divestiture)		587.9	-	-	-	-
	Preventive Maintenance		(29,000.0)	(29,000.0)	(29,000.0)	(29,000.0)	(29,000.0)
11090	Regional Transit Management System Phase I (Debt Service)		(3,826.6)	-	-	-	-
11132	Automated Fare Technology (Debt Service)		(4,074.4)	-	-	-	-
Available Funding for FY 08 Capital Program			50,219.5	31,367.8	34,162.5	37,049.0	40,531.0

PROJECT SUBMITTALS:

Reference Number	Division	Project	Funded Through FY07	FY08 Funded Projects	FY08 Unfunded Projects	FY09	FY10	FY11	FY12	Total Budget FY08 - FY12
1	SDTC	SDTC 26 40-ft CNG Low Floor Buses	1,488.0	8,660.0	-	1,720.0	10,800.0	12,757.5	15,376.0	49,313.5
2	MCS	MCS ECBMF CNG Station / Facility Upgrades	-	7,000.0	-	-	-	-	-	7,000.0
3	MCS	MCS Purchase 10 40-ft CNG Buses	-	3,900.0	-	-	-	-	-	3,900.0
4	SDTC	SDTC High Capacity Buses	50.0	3,785.1	11,794.7	11,116.0	-	-	-	26,695.8
5	MCS	MCS Purchase 8 40-ft CNG Buses	-	3,120.0	-	-	-	-	-	3,120.0
6	MCS	MCS Purchase 6 40-ft CNG Buses	-	2,340.0	-	-	-	-	-	2,340.0
7	SDTI	Overhead Catenary Wire Replacement	3,655.0	2,000.0	-	2,655.0	3,655.0	-	-	8,310.0
8	SDTI	Substation Standardization	-	1,950.0	-	1,500.0	1,500.0	1,500.0	1,500.0	7,950.0
9	MCS	MCS Purchase 5 40-ft CNG Buses	-	1,950.0	-	-	-	-	-	1,950.0
10	MCS	MCS Purchase 10 Minibuses	-	1,300.0	-	-	-	-	-	1,300.0
11	SDTI	Rehabilitate Traction Motors Phase II	-	1,000.0	-	1,693.5	1,693.5	1,539.5	-	5,926.4
12	SDTC	SDTC Site Hardening & Security	-	840.0	-	-	-	-	-	840.0
13	MTS	Miscellaneous Operating Capital	1,326.0	725.0	-	-	-	-	-	725.0
14	SANDAG	Planning Studies	714.9	743.0	-	742.6	764.9	787.9	811.5	3,849.9
15	SDTI	Security Cameras - 12th & Imperial/America Plaza - TSGP Funded	-	600.0	-	-	-	-	-	600.0
16	SDTC	SDTC KMD Building Rehabilitation	-	600.0	-	-	-	-	-	600.0

PROJECT SUBMITTALS:

Reference Number	Division	Project	Funded Through FY07	FY08 Funded Projects	FY08 Unfunded Projects	FY09	FY10	FY11	FY12	Total Budget FY08 - FY12
17	SDTI	Signal Cases	-	506.2	-	506.2	506.2	506.2	506.2	2,531.2
18	SDTI	High Voltage Breaker Replacement	-	500.0	-	721.2	721.2	721.2	721.2	3,384.6
19	SDTI	LRV Body Rehabilitation	1,884.0	500.0	-	500.0	500.0	500.0	-	2,000.0
20	SDTI	Substation Isolation Switches	-	420.0	-	1,416.0	-	-	-	1,836.0
21	SDTI	LRV Tires	360.0	360.0	-	360.0	360.0	360.0	-	1,440.0
22	SDTI	Head Spans	-	350.0	-	350.0	-	-	-	700.0
23	SDTI	SDTI Non-Revenue Vehicles Replacement (12 vehicles)	-	340.0	-	221.0	170.0	120.0	160.0	1,011.0
24	SDTI	Rail File Gridding	-	325.0	-	-	-	-	-	325.0
25	SDTC	KMD Roof HVAC	1,153.0	325.0	-	-	-	-	-	325.0
26	SDTI	Catenary Catach Cable Installation Project	-	300.0	-	437.0	-	-	-	737.0
27	SDTI	Blue Line Tie Replacement (27 Miles)	-	280.0	-	280.0	280.0	280.0	280.0	1,400.0
28	SDTI	Mainline Drainage	-	260.0	-	1,210.0	980.0	-	-	2,450.0
29	SDTI	LRV HVAC Retrofit SD100 Replace R22	-	253.5	-	253.5	253.5	253.5	-	1,014.0
30	SDTI	Blue and Orange Line Station Improvements	-	250.0	-	-	-	-	-	250.0
31	SDTI	Down guy Wire Replacement	-	250.0	-	250.0	250.0	250.0	-	1,000.0
32	SDTI	Rehabilitation Electronic Control Circuit U2	-	250.0	-	250.0	250.0	250.0	-	1,000.0
33	SDTI	Train Location Upgrade project	-	250.0	-	-	-	-	-	250.0
34	SDTC	SDTC Passenger Vehicles	-	250.0	-	250.0	-	-	-	500.0
35	SDTI	TWC Equipment Replacement	-	240.0	-	-	-	-	-	240.0
36	SDTI	Taylor Street Grade Crossing Improvements	-	216.8	-	94.3	-	-	-	311.1
37	SDTI	Pilot Motor Control Unit Drive	-	200.0	-	-	-	-	-	200.0
38	SDTC	SDTC Support Equipment	-	200.0	-	-	-	-	-	200.0
39	MTS	IT Network Infrastructure	796.2	200.0	-	150.0	150.0	150.0	150.0	800.0
40	MTS	Organizational Desktops	300.0	200.0	-	400.0	300.0	300.0	300.0	1,500.0
41	SDTI	LRV NRV Re-Railing Truck (Hy-Rail)	-	189.0	-	-	-	-	-	189.0
42	SDTI	Low Voltage Trainline Wiring	-	175.0	-	-	-	-	-	175.0
43	SDTC	IAD Service Lanes Fire and Control Upgrades	-	160.0	-	-	-	-	-	160.0
44	SDTI	Enhanced Video Analytics @ SDSU & OTTC - TSGP Funded	-	150.7	-	-	-	-	-	150.7
45	SDTI	Catenary Inspection/Work Platform Truck	-	150.0	-	-	-	-	-	150.0
46	MCS	MCS SBMF/ECBMF Miscellaneous Equipment	-	150.0	-	150.0	150.0	150.0	150.0	750.0
47	SDTI	Catenary Insulator Replacement Project	-	130.0	-	-	-	-	-	130.0
48	SDTI	Transformers	-	125.0	-	150.0	150.0	150.0	150.0	725.0
49	MTS	IT Network Storage	125.0	125.0	-	50.0	-	-	75.0	250.0
50	SDTI	ADA Station Improvements	-	115.0	-	-	-	-	-	115.0
51	SDTI	Document Control	-	100.0	-	200.0	-	-	-	300.0
52	SDTI	Power Switch Mechanisms	-	94.0	-	94.0	94.0	94.0	94.0	470.0
53	La Mesa	La Mesa Amaya Trolley Station Security Cameras (50%)	-	87.5	-	296.0	-	-	-	383.5
54	SDTI	Maintenance Facilities Building Improvements	-	85.0	-	-	-	-	-	85.0
55	SDTI	Substation Building Structure	-	75.0	-	75.0	75.0	75.0	75.0	375.0

PROJECT SUBMITTALS:

Reference Number	Division	Project	Funded Through FY07	FY08 Funded Projects	FY08 Unfunded Projects	FY09	FY10	FY11	FY12	Total Budget FY08 - FY12
56	SDTC	SDTC Bus Maintenance Tools	-	75.0	-	-	-	-	-	75.0
57	MTS	Network Infrastructure	-	75.0	-	25.0	150.0	25.0	-	300.0
58	MTS	Network Servers	75.0	75.0	-	-	75.0	75.0	25.0	300.0
59	SDTC	Revenue Vehicle Cameras	-	70.0	-	-	-	-	75.0	300.0
60	SDTI	Radio Replacement	-	60.0	-	63.9	55.2	-	-	70.0
61	SDTI	LRV Car Wash (Replacement/Design)	-	50.0	-	500.0	-	-	-	179.1
62	SDTI	Security/Safety Equipment	-	39.9	-	26.7	27.0	27.3	-	550.0
63	MCS	MCS Bus Stop Program Equipment	-	35.0	-	35.0	35.0	35.0	27.6	148.5
64	SDTI	Switch Indicator Standardization-Final Phase	-	33.8	-	-	-	-	35.0	175.0
65	CVT	Bus Stop Safety & Security Enhancements	-	30.0	-	-	-	-	-	33.8
66	SDTI	Forklift Overhaul	-	25.0	-	-	-	-	-	30.0
67	MCS	MCS Purchase 58 40-ft CNG Buses	-	0.0	22,620.0	-	-	-	-	25.0
68	MCS	MCS Purchase 15 40-ft CNG Buses - To be funded by FY07 STA	-	0.0	5,850.0	-	-	-	-	22,620.0
69	CVT	Four (4) 40' CNG Buses to Replace four (4) Diesels	-	0.0	1,925.0	-	-	-	-	5,850.0
70	SDTI	LFV Procurement	-	0.0	33,052.5	33,052.5	33,052.5	33,052.5	-	1,925.0
71	SDTI	Blue Line Rail Replacement	-	0.0	19,008.0	-	-	-	-	132,210.0
72	SDTI	Rehabilitation LRVs U2	-	0.0	15,120.0	15,120.0	15,120.0	15,120.0	-	19,008.0
73	SDTI	Highway/Grade Crossing Street Improvements	-	0.0	5,500.0	-	-	-	15,120.0	75,600.0
74	SDTI	Curve Track Replacement	3,168.0	0.0	3,168.0	-	-	-	-	5,500.0
75	SDTI	LRV Wheel Truing Machine	-	0.0	3,000.0	-	-	-	-	3,168.0
76	SDTI	Chopper Propulsion Modification U2 Phase 1	-	0.0	2,538.0	2,538.0	2,538.0	2,538.0	-	3,000.0
77	SDTI	Wayside Slope Rehabilitation (Construction)	135.0	0.0	2,080.0	-	-	-	-	10,152.0
78	SDTI	Station Track-Way Paving	-	0.0	1,000.0	700.0	700.0	700.0	-	2,080.0
79	SDTI	LFLRV Station Modification Project - OT & Bayside	-	0.0	900.0	6,800.0	-	-	-	3,100.0
80	SDTI	Blue Line No. 20 Turnout Replacement	-	0.0	750.0	-	-	-	-	7,700.0
81	SDTI	Centralized Train Control	4,000.0	0.0	-	4,574.0	-	-	-	750.0
82	MCS	MCS SBMF Expansion	8,132.9	0.0	4,600.0	5,000.0	5,000.0	5,000.0	5,000.0	4,574.0
83	MCS	MCS SBMF Expansion Right-of-Way	-	0.0	4,000.0	-	-	-	-	24,600.0
84	MCS	MCS ECBMF ADA Facility - Phase 2	10,475.3	0.0	4,000.0	4,000.0	4,000.0	4,000.0	-	4,000.0
85	SDTI	Switch Indicator Modifications and Turnout Replacement Project	70.0	0.0	3,800.0	-	-	-	4,000.0	20,000.0
86	MCS	MCS ECBM Fixed Route Facility - Phase 3	-	0.0	3,000.0	3,000.0	3,000.0	4,000.0	-	3,800.0
87	SDTI	Fiber Optic Expansion - Phase II	-	0.0	2,070.0	10,620.0	-	-	-	13,000.0
88	SDTI	Street Running Track Replacement	-	0.0	910.0	910.0	910.0	910.0	-	12,690.0
89	SDTC	SDTC IAD Roof and HVAC Rehabilitation	-	0.0	625.0	-	-	-	-	3,640.0
90	SDTI	Street Running Pavement	-	0.0	594.0	594.0	594.0	594.0	-	625.0
91	SDTC	IAD Boardroom Remodel	-	0.0	475.0	-	-	-	-	2,376.0
92	MCS	Regional Bus Stop Signs and Improvements	-	0.0	450.0	450.0	450.0	450.0	-	475.0
93	MCS	MCS SBMF/ECBMF Steam Clean Rack Upgrades	-	0.0	385.0	-	-	-	450.0	2,250.0
94	SDTI	Downtown Trolley Signal Optimization	-	0.0	304.8	95.0	2,016.5	-	-	385.0
										2,416.3

PROJECT SUBMITTALS:

Reference Number	Division	Project	Funded Through FY07	FY08 Funded Projects	FY08 Unfunded Projects	FY09	FY10	FY11	FY12	Total Budget FY08 - FY12
95	SDTI	Events Recorders Phase I	-	0.0	265.0	265.0	265.0	265.0	-	1,060.0
96	SDTI	Transit Center Facility Improvement	-	0.0	250.0	250.0	250.0	-	-	750.0
97	CVT	H Street Bus Stop Improvement	-	0.0	190.0	-	-	-	-	190.0
98	SDTI	Commercial Street Switch Replacement and Removal	-	0.0	182.4	1,641.6	-	-	-	1,824.0
99	SDTI	CCTV - Five Trolley Stations	-	0.0	175.0	175.0	175.0	175.0	175.0	875.0
100	SDTI	Yard Switch Electrification, Phase II	857.5	0.0	170.0	-	-	-	-	170.0
101	SDTI	Structural Integrity Inspection of Major Structures	-	0.0	160.0	-	-	-	-	160.0
102	SDTI	LRT Couplers/Disconnects Phase III	-	0.0	153.0	153.0	153.0	153.0	-	612.0
103	SDTI	Power Conservation	-	0.0	150.0	-	-	-	-	150.0
104	MCS	MCS South Bay Division Gas Detection System	-	0.0	150.0	-	-	-	-	150.0
105	SDTI	Station Shelter Replacement Project (Civic Center & 5th Avenue)	-	0.0	130.0	990.0	-	-	-	1,120.0
106	MCS	MCS SBMF/ECBMF Heavy Duty Lifts	-	0.0	130.0	135.0	140.0	145.0	150.0	700.0
107	SDTI	Visual Message Signs - Phase II	-	0.0	122.0	419.0	1,446.0	1,446.0	-	3,433.0
108	SDTI	32nd Street and Commercial Station Enhancements	-	0.0	95.0	655.0	-	-	-	750.0
109	NCT	Security Camera System - 8th Street Trolley/Bus Station (50%)	-	0.0	87.5	-	-	-	-	87.5
110	SDTI	LRT Shelter Grounding Program	-	0.0	70.0	630.0	-	-	-	700.0
111	SDTI	Permanent Ticket Booths (3 stations)	-	0.0	60.0	-	-	-	-	60.0
112	SDTC	MTS Regional Transit IT	-	0.0	60.0	-	-	-	-	60.0
113	NCT	Supervisor Replacement Vehicle	-	0.0	40.0	-	-	-	-	40.0
114	NCT	RCS Automatic Vehicle Locator via GPS System	-	0.0	40.0	-	-	-	-	40.0
115	SDTI	Pull & Vault Cover Replacement Project	-	0.0	35.0	-	-	-	-	35.0
116	SDTC	MTS Bus Office Equipment	52.8	0.0	32.3	33.8	35.6	37.4	-	139.1
117	CVT	Transit Maintenance Shop Equipment	-	0.0	30.0	-	-	-	-	30.0
118	CVT	CVT Miscellaneous Operating Capital	-	0.0	30.0	-	-	-	-	30.0
119	SDTI	CCTV DVR and Monitor Replacement Program	-	0.0	22.0	22.0	22.0	22.0	22.0	110.0
120	SDTI	Signal Plan Update	12.0	0.0	12.0	-	-	-	-	12.0
121	SDTI	Bill Processing Equipment	-	0.0	10.0	-	-	-	-	10.0
122	SDTI	Special Event Ticket Tents	-	0.0	8.0	-	-	-	-	8.0
123	SDTI	Revenue Processing Camera System	-	0.0	8.0	-	-	-	-	8.0
124	SDTI	Back-up Cashroom Reset Station	-	0.0	3.3	-	-	-	-	3.3
125	SDTI	LRT Station Parking Lot Improvements	-	0.0	-	500.0	500.0	-	-	1,000.0
126	SDTC	KMD Product Delivery System Upgrades	-	0.0	-	-	-	-	-	-
127	MCS	MCS Purchase 7 Mid-size Poway Buses	-	0.0	2,380.0	-	-	-	-	2,380.0
128	SDTC	IAD Dispatch Crew Room	-	0.0	600.0	-	-	-	-	600.0
129	SDTC	Bus Hoist Replacement (Bay 5 at KMD)	-	0.0	320.0	-	-	-	-	320.0
130	MCS	MCS SBMF Security Driveway Gates	-	0.0	250.0	-	-	-	-	250.0
131	MCS	MCS ECBMF Security Driveway Gates	-	0.0	250.0	-	-	-	-	250.0
132	MCS	MCS Radios and Dispatch Communications	-	0.0	200.0	-	-	-	-	200.0
133	MCS	MCS SBMF Surveillance Cameras Replacement	-	0.0	125.0	-	-	-	-	125.0

PROJECT SUBMITTALS:

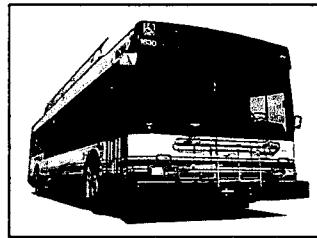
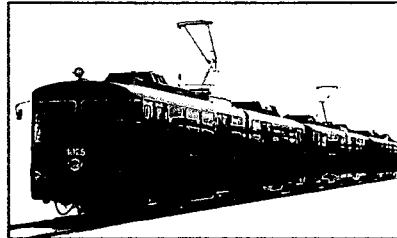
Reference Number	Division	Project	Funded Through FY07	FY08 Funded Projects	FY08 Unfunded Projects	FY09	FY10	FY11	FY12	Total Budget FY08 - FY12
134	MCS	MCS ECBMF Surveillance Cameras Installation	-	0.0	125.0	-	-	-	-	125.0
135	NCT	Security Camera System - 24th Street Trolley/Bus Station	-	0.0	100.0	-	-	-	-	100.0
136	MTS	IT Ellipse Financial System	350.0	0.0	100.0	-	100.0	-	-	200.0
137	MCS	Bus Transit Centers Pavement Replacement	-	0.0	100.0	100.0	100.0	100.0	100.0	500.0
138	MCS	Transit Center Shelter and Bench Rehabilitation	-	0.0	60.0	60.0	60.0	60.0	60.0	300.0
139	MCS	MCS GFI Fareboxes Upgrade	-	0.0	50.0	1,850.0	-	-	-	1,900.0
140	SDTC	MTS Transit Store Cash Register	-	0.0	40.0	-	-	-	-	40.0
141	MCS	MCS MMO Staff Vehicles	-	0.0	35.0	35.0	35.0	-	-	105.0
142	CVT	Three (3) Heavy Duty Flatbed Electric Cars	-	0.0	25.0	-	-	-	-	25.0
143	SDTC	Removed - Was SDTC High Capacity Buses (Replaced Below)	-	0.0	-	-	-	-	-	-
144	MCS	MCS SBMF Facility Building Improvements	-	0.0	-	325.0	250.0	250.0	250.0	1,075.0
145	MCS	MCS Purchase 15 32-35-ft CNG Buses	-	0.0	-	-	5,620.0	-	-	5,620.0
146	MCS	MCS Purchase 14 Minibuses	-	0.0	-	-	1,800.0	-	-	1,800.0
147	MCS	MCS Fareboxes Replacement	-	0.0	-	-	-	-	8,900.0	8,900.0
148	MCS	MCS ADA Paratransit Computer Equipment	-	0.0	-	100.0	100.0	100.0	100.0	400.0
149	NCT	Fleet Replacement (17-CNG 40 footers) - National City Transit	-	0.0	-	-	-	-	6,800.0	6,800.0
150	NCT	CNG Facility Fueling Station	-	0.0	-	-	1,012.0	-	-	1,012.0
TOTAL			39,180.6	50,219.5	161,150.5	124,534.8	103,390.1	90,025.0	61,638.5	590,958.3
ANNUAL DEFICIT					(161,150.5)	(93,167.0)	(69,227.5)	(52,975.9)	(21,107.5)	(397,628.5)
ACCUMULATED DEFICIT					(161,150.5)	(254,317.5)	(323,545.1)	(376,521.0)	(397,628.5)	

**San Diego Metropolitan Transit System
Capital Improvement Program (CIP)
Fiscal Years 2008 - 2012
CIP Forecast**

	<u>Proposed FY08</u>	<u>Projected FY09</u>	<u>Projected FY10</u>	<u>Projected FY11</u>	<u>Projected FY12</u>	<u>FY08 to FY12</u>
Total Revenues						
Recurring Dedicated CIP Revenues	55,161.4	57,367.8	59,662.5	62,049.0	64,531.0	298,771.7
Non-Recurring Revenues	25,460.2	-	-	-	-	25,460.2
Shifted Operating Revenues	<u>6,498.8</u>	<u>3,000.0</u>	<u>3,500.0</u>	<u>4,000.0</u>	<u>5,000.0</u>	<u>21,998.8</u>
Total Capital Revenues	87,120.4	60,367.8	63,162.5	66,049.0	69,531.0	346,230.7
Less: "Off the Top" Expenses						
Preventative Maintenance	(29,000.0)	(29,000.0)	(29,000.0)	(29,000.0)	(29,000.0)	(145,000.0)
RTMS Debt Service	(3,826.6)	-	-	-	-	(3,826.6)
AFC Debt Service	<u>(4,074.4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,074.4)</u>
Total "Off The Top" Expenses	(36,900.9)	(29,000.0)	(29,000.0)	(29,000.0)	(29,000.0)	(152,900.9)
Adjusted Available CIP Revenues	50,219.5	31,367.8	34,162.5	37,049.0	40,531.0	193,329.8
Total Project Needs	<u>211,370.0</u>	<u>124,534.8</u>	<u>103,390.1</u>	<u>90,025.0</u>	<u>61,638.5</u>	<u>590,958.3</u>
Total Deficit	<u>(161,150.5)</u>	<u>(93,167.0)</u>	<u>(69,227.5)</u>	<u>(52,975.9)</u>	<u>(21,107.5)</u>	<u>(397,628.5)</u>
% of Funding / Needs	23.8%	25.2%	33.0%	41.2%	65.8%	32.7%
Accumulated Deficit	(161,150.5)	(254,317.5)	(323,545.1)	(376,521.0)	(397,628.5)	
Accumulated % Funding / Needs	23.8%	24.3%	26.3%	28.9%	32.7%	

Att. B, AI 30,
1/18/07, 50601

MTS Capital Improvement Program FY 2008



San Diego Metropolitan Transit System Capital Funding Levels Fiscal Year 2008 (in 000's)

	Proposed FY 2008
Federal Funding Levels (estimated)	55,411.4
* Transit Security Grant Program Funding	1,660.7
* FY07 Operating Budget Shift to FY08 Capital	6,498.8
* STA - Prop 42 & Spillover	17,607.0
* TDA Availability - CTS Divestiture	5,942.5
Preventative Maintenance	(29,000.0)
Debt Service	(7,900.9)
Total Funding Availability	50,219.5

* Non Recurring Revenues totaling \$31,709.0

Development of the FY08 Capital Project List

- * Began July 2006 with the call for projects
- * CIP Budget Development Committee meeting was held to discuss the project list
- * CIP Committee is comprised of
 - Bus Operations
 - Rail Operations
 - Chula Vista Transit
 - National City Transit
 - Metropolitan Transit Systems - Administration
 - SANDAG Engineering
- * Each Committee member was responsible for submitting and discussing their capital requests for the agency and cities it serves.
- * The Committee reviewed and the CEO approved the prioritization of those capital requests.

FY08 Capital Project List - Highlights

Project	FY08 Funding	% of Total
40 foot CNG buses (55 vehicles)	\$19,970.0	
High Capacity Vehicles (5 - 6 vehicles)	3,785.1	
10 Minibuses	1,300.0	
Subtotal Revenue Vehicles	25,055.1	49.9%
Rail Infrastructure (Substations, Catenary, Other)	8,270.8	16.5%
ECBMF Land Acquisition	4,000.0	8.0%
ECBMF CNG Station	3,000.0	6.0%
Light Rail Vehicle Components	2,913.5	5.8%
Security Related Projects	2,128.1	4.2%
Other Facility and Operating Equipment	1,780.0	3.5%
Non Revenue Vehicles	929.0	1.8%
SANDAG Planning Studies	743.0	1.5%
Miscellaneous Operating Capital	725.0	1.4%
Information Technology Equipment	675.0	1.3%
Total Project Funding Available	\$50,219.5	

FY08 Unfunded Projects - Notes

Total FY08 Unfunded Projects - \$161.2

* Rail Infrastructure - \$95.9M

\$15.1 million in U2 rehabilitation

\$19.0 million in Blue Line rail replacement

\$33.1 million in Light Rail Vehicle procurement

* Passage of Infrastructure Bond and Transnet II

* Bus Revenue Vehicle Procurement

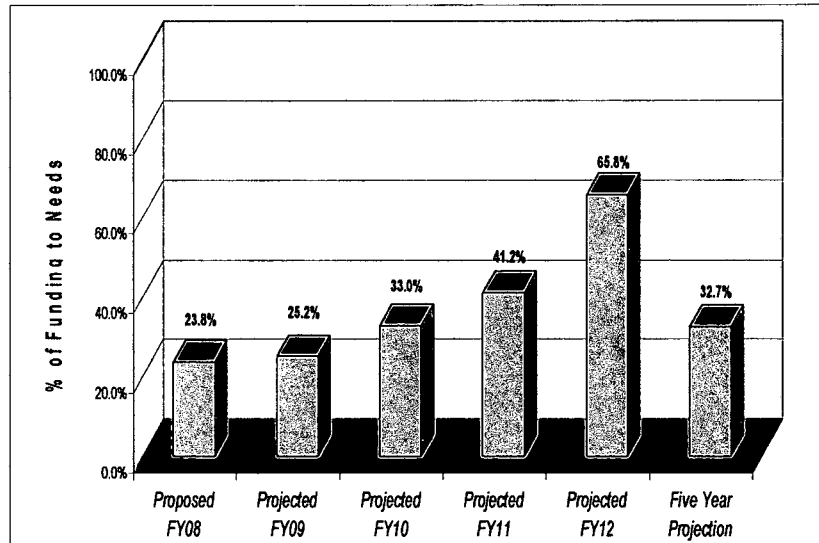
\$42.2 million in revenue vehicles

* East County & South Bay Maintenance Facilities

\$16.9 million in facilities, expansion & upgrades

San Diego Metropolitan Transit System Capital Improvement Program (CIP) Fiscal Years 2008 - 2012						
	Proposed FY08	Projected FY09	Projected FY10	Projected FY11	Projected FY12	FY08 to FY12
Total Revenues						
Recurring Dedicated CIP Revenues	55,161.4	57,367.8	59,662.5	62,049.0	64,531.0	298,771.7
Non-Recurring Revenues	25,460.2	-	-	-	-	25,460.2
Shifted Operating Revenues	6,498.8	3,000.0	3,500.0	4,000.0	5,000.0	21,998.8
Total Capital Revenues	87,120.4	60,367.8	63,162.5	66,049.0	69,531.0	346,230.7
Less: "Off the Top" Expenses						
Preventative Maintenance	(29,000.0)	(29,000.0)	(29,000.0)	(29,000.0)	(29,000.0)	(145,000.0)
RTMS Debt Service	(3,826.6)	-	-	-	-	(3,826.6)
AFC Debt Service	(4,074.4)	-	-	-	-	(4,074.4)
Total "Off The Top" Expenses	(36,900.9)	(29,000.0)	(29,000.0)	(29,000.0)	(29,000.0)	(152,900.9)
Adjusted Available CIP Revenues	50,219.5	31,367.8	34,162.5	37,049.0	40,531.0	193,329.8
Total Project Needs	211,370.0	124,534.8	103,390.1	90,025.0	61,638.5	590,968.3
Total Deficit	(161,150.5)	(93,167.0)	(69,227.6)	(52,975.9)	(21,107.5)	(397,628.5)
% of Funding / Needs	23.8%	26.2%	33.0%	41.2%	66.8%	32.7%
Accumulated Deficit	(161,150.5)	(254,317.5)	(323,545.1)	(376,521.0)	(397,628.5)	

Five Year Outlook Percentage of Funding Compared to Needs



San Diego Metropolitan Transit System Continued Pursuit of Capital Funding

Proposition 1B Availability - STIP (\$24M Region)

- *Regionally Competitive Funding: Highways, NCTD, SDMTS
- *Requirements: Capacity Increasing, Project Readiness
- *To be submitted to the California Transportation Commission (CTC) by April 2007.

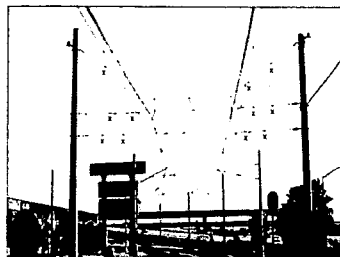
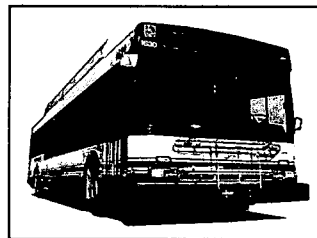
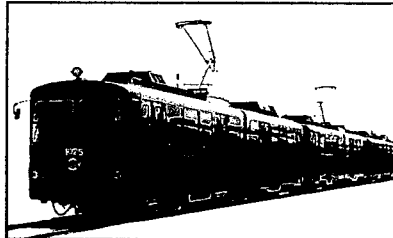
SDMTS Project Submissions:

Centralized Train Control
 Blue Line Station Improvements and Expansion Projects
 South Bay Bus Maint Facility
 Downtown Trolley Signal Optimization
 LRV Procurement
 Regional Transit Management System

Fiscal Year 2008 CIP Recommendation

1. approve the fiscal year 2008 Capital Improvement Program (CIP) with the estimated federal and non-federal funding levels. 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;
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 2008 CIP (shown in Attachment A) after the federal appropriations are finalized;
3. recommend that the SANDAG Board of Directors approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2008 CIP recommendations.

MTS Capital Improvement Program FY 2008





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

Agenda

Item No. 31

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

FIN 300 (PC 50601)

January 18, 2007

SUBJECT:

MTS: FY 2006 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
AND FINAL BUDGET COMPARISON

RECOMMENDATION:

That the Board of Directors:

1. receive the FY 2006 Comprehensive Annual Financial Report (CAFR); and
2. approve applying the FY 2006 positive variance of \$1,915,000 to the MTS Contingency Reserve.

DISCUSSION:

Attachment A is the CAFR for MTS for FY 2006. This report is a requirement in order to receive funding from federal, state, and local agencies. Additionally, it is a requirement of the various debt financing that MTS holds as well as insurance coverage.

With the completion of the FY 2006 audits and the presentation of the CAFR, we can review the FY 2006 budget. Attachment B summarizes the results with the variances to budget on a consolidated basis. Attachment B-3 is a recap of the results of the operating areas. Attachments B-4 through B-10 detail each operating area. Attachments B-11 through B-16 detail the administrative, debt service, Taxicab Administration, San Diego and Arizona Eastern (SD&AE) Railway Company, and subsidy income areas.



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.

OVERALL RESULTS

As indicated within Attachment B-1, MTS has a favorable variance to the amended budget of \$2,124,000. Of this, Taxicab Administration has a favorable excess of revenues over expenses compared to budget of \$273,000 adding to its fund balance (reserve). SD&AE has an unfavorable excess of expenses over revenue compared to the amended budget of \$64,000 decreasing its fund balance (reserve). For the above-referenced areas, MTS has a favorable variance of \$1,915,000 available.

Below is a review of the results of the major areas for the year. All comparisons are against the amended budget.

MTS OPERATING AREAS

Summary

As shown on Attachment B-3, the combined results of the operating areas posted a favorable net-operating subsidy for FY 2006 of \$1,856,000, including favorable variances in passenger revenue (\$843,000), energy (\$960,000), and risk management (\$440,000).

Revenues

Combined fare revenue for FY 2006 was \$71,384,000 compared to the budget of \$70,541,000, representing a favorable variance of \$843,000 (1.2%). These were from favorable variances in all bus operations (\$1,587,000) offset by an unfavorable variance in rail operations (\$744,000).

Expenses

Overall, operating expenses had a favorable variance of \$724,000. The larger favorable variances were in energy (\$960,000) and risk management (\$440,000) offset by unfavorable variances in personnel (\$751,000) and services (\$369,000).

The energy variances were a combination of lower traction power costs within rail operations (\$645,000) as well as lower-than-anticipated compressed natural gas (CNG) prices in the midyear budget. CNG prices averaged \$1.31 per therm compared to the midyear budget rate of \$1.40 per therm. Diesel prices averaged \$2.32 per gallon compared to the midyear budget rate of \$2.28 per gallon.

The lower risk expenses stemmed from lesser third-party administrator (TPA) expenses as well as claim payouts.

The higher personnel costs were mainly due to sick and vacation payoffs, health and welfare, unfavorable variances in pensions within rail operations, and operator overtime within bus operations.

The higher services costs were mainly security services in rail operations and engines and transmissions costs within contracted services.

OTHER AREAS REVENUES AND EXPENSES

Attachments B-12 through B-16 show the administrative, debt service, Taxicab Administration, SD&AE, and subsidy income areas. The administrative area came in \$67,000 favorable to budget with \$256,000 in favorable other operating revenues (primarily rental income) offset by \$189,000 in higher expenses.

Reserves

Attachment C-1 details the MTS contingency reserve. FY 2006 is the first year in several years where the contingency reserve was not utilized in constructing the budget. If the Board elects to apply the available FY 2006 favorable variance of \$1,915,000 to the contingency reserve, the ending FY 2006 reserve would total \$16,413,000 as shown. This amount represents 6.8% of the MTS FY 2007 operating budget of \$240,273,000.

STAFF RECOMMENDATION

It is staff's recommendation to apply \$1,915,000 to the contingency reserve. This would augment reserves and provide the Board with the maximum flexibility necessary to respond to unforeseen situations in the future. These include higher energy prices, increased costs related to a major security/terrorist issue, a natural disaster, a major system failure due to aging infrastructure, or greater-than-foreseen pension costs.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tom Lynch, 619.557.4538, tom.lynch@sdmts.com

JAN18-07.31.FY 06 CAFR.TLYNCH

Attachments: A. FY 2006 CAFR (**Due to volume – Board Only**)
B. FY 2006 Final Budget Comparison Schedules
C. MTS Contingency Reserve Schedule

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

MTS CONSOLIDATED

COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006

JUNE 30, 2006

(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$71,384	\$70,541	\$843	1.2%
Other Revenue	3,919	3,154	765	24.3%
Total Operating Revenue	75,303	73,695	1,608	2.2%
Subsidy	141,205	141,048	157	0.1%
Other Non Operating Income	10,302	10,467	(165)	-1.6%
Total Non Operating Revenue	151,507	151,515	(8)	0.0%
Total Revenue	226,810	225,210	1,600	0.7%
Personnel	96,909	95,556	(1,353)	-1.4%
Services	20,644	20,727	83	0.4%
Purchased Transportation	44,141	44,267	126	0.3%
Overhead Allocation	0	0	0	-
Materials	7,674	7,866	192	2.4%
Energy	25,597	26,680	1,083	4.1%
Risk Management	5,060	5,708	648	11.4%
General and Administrative	2,400	2,235	(165)	-7.4%
Vehicle/Facility Lease	99	230	131	57.0%
Debt Service	22,162	21,941	(221)	-1.0%
Total Costs	224,686	225,210	524	0.2%
Total Revenue Less Total Costs	2,124	0	2,124	100.0%
Net Operating Subsidy	(\$149,383)	(\$151,515)	\$2,132	1.4%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
MTS
CONSOLIDATED
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
<u>Net Operating Subsidies</u>				
SDTC	51,798	54,098	2,300	4.3%
SDTI	26,203	23,802	(2,401)	-10.1%
MCS Fixed Route	27,768	28,741	973	3.4%
MCS Para Transit	9,238	9,499	261	2.7%
CVT	4,318	4,920	602	12.2%
NCT	1,800	1,921	121	6.3%
Ferry	135	135	0	0.0%
Admin Pass Thru	344	344	0	0.0%
Subtotal Operations	121,604	123,460	1,856	1.5%
Administrative	5,882	5,949	67	1.1%
Debt Service	21,941	21,941	0	0.0%
Subsidy Revenue Received	141,205	141,048	157	0.1%
Subsidy Revenue Payments	(141,205)	(141,048)	(157)	0.1%
Total MTS	149,427	151,350	1,923	1.3%
Taxicab Administration	(188)	85	273	321.2%
SD&AE	144	80	(64)	-80.0%
Total Other	(44)	165	209	126.7%
Consolidated Total				
Net Operating Subsidy	\$149,383	\$151,515	\$2,132	-1.4%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

MTS OPERATIONS

COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006

JUNE 30, 2006

(in \$000's)

	ACTUAL	BUDGET	VARIANCE	[%] VARIANCE
Fare Revenue	\$71,384	\$70,541	\$843	1.2%
Other Revenue	1,754	1,465	289	19.7%
Total Operating Revenue	73,138	72,006	1,132	1.6%
Subsidy	0	0	0	-
Other Non Operating Income	0	0	0	-
Total Non Operating Revenue	0	0	0	-
Total Revenue	73,138	72,006	1,132	1.6%
Personnel	87,687	86,936	(751)	-0.9%
Services	17,662	17,293	(369)	-2.1%
Purchased Transportation	44,141	44,267	126	0.3%
Overhead Allocation	6,923	6,923	0	0.0%
Materials	7,659	7,822	163	2.1%
Energy	25,533	26,493	960	3.6%
Risk Management	4,450	4,890	440	9.0%
General and Administrative	588	613	25	4.1%
Vehicle/Facility Lease	99	229	130	56.8%
Debt Service	0	0	0	-
Total Costs	194,742	195,466	724	0.4%
Total Revenue Less Total Costs	(121,604)	(123,460)	1,856	-1.5%
Net Operating Subsidy	(\$121,604)	(\$123,460)	\$1,856	1.5%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
INTERNAL BUS OPERATIONS
(SAN DIEGO TRANSIT CORPORATION)
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$22,264	\$21,623	\$641	3.0%
Other Revenue	1,012	1,117	(105)	-9.4%
Total Operating Revenue	23,276	22,740	536	2.4%
Personnel	55,886	56,241	355	0.6%
Services	1,606	1,742	136	7.8%
Purchased Transportation			0	-
Overhead Allocation	3,182	3,182	0	0.0%
Materials	4,050	4,540	490	10.8%
Energy	8,397	8,733	336	3.8%
Risk Management	1,710	2,115	405	19.1%
General and Administrative	193	194	1	0.5%
Vehicle/Facility Lease	50	91	41	45.1%
Debt Service			0	-
Total Costs	75,074	76,838	1,764	2.3%
Net Operating Subsidy	(\$51,798)	(\$54,098)	\$2,300	4.3%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
RAIL OPERATIONS
(SAN DIEGO TROLLEY, INC.)
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$27,934	\$28,678	(\$744)	-2.6%
Other Revenue	742	348	394	113.2%
Total Operating Revenue	28,676	29,026	(350)	-1.2%
Personnel	28,949	27,780	(1,169)	-4.2%
Services	8,789	8,022	(767)	-9.6%
Purchased Transportation			0	-
Overhead Allocation	2,705	2,705	0	0.0%
Materials	3,465	3,126	(339)	-10.8%
Energy	8,496	8,618	122	1.4%
Risk Management	2,242	2,282	40	1.8%
General and Administrative	233	212	(21)	-9.9%
Vehicle/Facility Lease		83	83	-
Debt Service			0	-
Total Costs	54,879	52,828	(2,051)	-3.9%
Net Operating Subsidy	(\$26,203)	(\$23,802)	(\$2,401)	-10.1%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONTRACT SERVICES
FIXED ROUTE
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

	ACTUAL	BUDGET	VARIANCE	[%] VARIANCE
Fare Revenue	\$15,572	\$15,066	\$506	3.4%
Other Revenue			0	-
Total Operating Revenue	15,572	15,066	506	3.4%
Personnel	393	376	(17)	-4.5%
Services	1,060	1,156	96	8.3%
Purchased Transportation	34,883	35,093	210	0.6%
Overhead Allocation	768	768	0	0.0%
Materials			0	-
Energy	6,074	6,367	293	4.6%
Risk Management			0	-
General and Administrative	116	10	(106)	-1060.0%
Vehicle/Facility Lease	46	37	(9)	-24.3%
Debt Service			0	-
Total Costs	43,340	43,807	467	1.1%
Net Operating Subsidy	(\$27,768)	(\$28,741)	\$973	3.4%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONTRACT SERVICES
PARA TRANSIT
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$1,810	\$1,495	\$315	21.1%
Other Revenue			0	-
Total Operating Revenue	1,810	1,495	315	21.1%
Personnel	198	219	21	9.6%
Services	335	378	43	11.4%
Purchased Transportation	9,123	9,039	(84)	-0.9%
Overhead Allocation	35	35	0	0.0%
Materials			0	-
Energy	1,276	1,300	24	1.8%
Risk Management	68		(68)	100.0%
General and Administrative	10	5	(5)	-100.0%
Vehicle/Facility Lease	3	18	15	83.3%
Debt Service			0	-
Total Costs	11,048	10,994	(54)	-0.5%
Net Operating Subsidy	(\$9,238)	(\$9,499)	\$261	2.7%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CHULA VISTA TRANSIT**

**COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)**

	ACTUAL	BUDGET	VARIANCE	[%] VARIANCE
Fare Revenue	\$2,521	\$2,423	\$98	4.0%
Other Revenue			0	-
Total Operating Revenue	2,521	2,423	98	4.0%
Personnel	594	669	75	11.2%
Services	5,205	5,356	151	2.8%
Purchased Transportation			0	-
Overhead Allocation	156	156	0	0.0%
Materials			0	-
Energy	864	1,060	196	18.5%
Risk Management	4	63	59	93.7%
General and Administrative	16	39	23	59.0%
Vehicle/Facility Lease			0	-
Debt Service			0	-
Total Costs	6,839	7,343	504	6.9%
Net Operating Subsidy	(\$4,318)	(\$4,920)	\$602	12.2%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
NATIONAL CITY TRANSIT**

**COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)**

	ACTUAL	BUDGET	VARIANCE	[%] VARIANCE
Fare Revenue	\$1,283	\$1,256	\$27	2.1%
Other Revenue			0	-
Total Operating Revenue	1,283	1,256	27	2.1%
Personnel	1,478	1,462	(16)	-1.1%
Services	512	484	(28)	-5.8%
Purchased Transportation			0	-
Overhead Allocation	77	77	0	0.0%
Materials	144	156	12	7.7%
Energy	426	415	(11)	-2.7%
Risk Management	426	430	4	0.9%
General and Administrative	20	153	133	86.9%
Vehicle/Facility Lease			0	-
Debt Service			0	-
Total Costs	3,083	3,177	94	3.0%
Net Operating Subsidy	(\$1,800)	(\$1,921)	\$121	6.3%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CORONADO FERRY**

**COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)**

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue			\$0	-
Other Revenue			0	-
Total Operating Revenue	0	0	0	-
Personnel			0	-
Services			0	-
Purchased Transportation	135	135	0	0.0%
Overhead Allocation			0	-
Materials			0	-
Energy			0	-
Risk Management			0	-
General and Administrative			0	-
Vehicle/Facility Lease			0	-
Debt Service			0	-
Total Costs	135	135	0	0.0%
Net Operating Subsidy	(\$135)	(\$135)	\$0	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATIVE PASS THRU
CONSOLIDATED
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue			\$0	-
Other Revenue			0	-
Total Operating Revenue	0	0	0	-
Personnel	189	189	0	0.0%
Services	155	155	0	0.0%
Purchased Transportation			0	-
Overhead Allocation			0	-
Materials			0	-
Energy			0	-
Risk Management			0	-
General and Administrative			0	-
Vehicle/Facility Lease			0	-
Debt Service			0	-
Total Costs	344	344	0	0.0%
Net Operating Subsidy	(\$344)	(\$344)	\$0	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
MTS
ADMINISTRATION
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue			\$0	-
Other Revenue	1,186	930	256	27.5%
Total Operating Revenue	1,186	930	256	27.5%
Subsidy			0	-
Other Non Operating Income			0	-
Total Non Operating Revenue	0	0	0	-
Total Revenue	1,186	930	256	27.5%
Personnel	8,626	8,017	(609)	-7.6%
Services	2,806	3,298	492	14.9%
Purchased Transportation			0	-
Overhead Allocation	(6,946)	(6,946)	0	0.0%
Materials	11	44	33	75.0%
Energy	62	172	110	64.0%
Risk Management	524	729	205	28.1%
General and Administrative	1,764	1,564	(200)	-12.8%
Vehicle/Facility Lease	0	1	1	-
Debt Service	221		(221)	100.0%
Total Costs	7,068	6,879	(189)	-2.7%
Total Revenue Less Total Costs	(5,882)	(5,949)	67	-1.1%
Net Operating Subsidy	(\$5,882)	(\$5,949)	\$67	1.1%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

MTS DEBT SERVICE

COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006

JUNE 30, 2006

(in \$000's)

	ACTUAL	BUDGET	VARIANCE	[%] VARIANCE
Fare Revenue			\$0	-
Other Revenue			0	-
Total Operating Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>-</u>
Subsidy			0	-
Other Non Operating Income	10,302	10,302	0	0.0%
Total Non Operating Revenue	<u>10,302</u>	<u>10,302</u>	<u>0</u>	<u>0.0%</u>
Total Revenue	<u>10,302</u>	<u>10,302</u>	<u>0</u>	<u>0.0%</u>
Personnel			0	-
Services			0	-
Purchased Transportation			0	-
Overhead Allocation			0	-
Materials			0	-
Energy			0	-
Risk Management			0	-
General and Administrative			0	-
Vehicle/Facility Lease			0	-
Debt Service	21,941	21,941	0	0.0%
Total Costs	<u>21,941</u>	<u>21,941</u>	<u>0</u>	<u>0.0%</u>
Total Revenue Less Total Costs	<u>(11,639)</u>	<u>(11,639)</u>	<u>0</u>	<u>0.0%</u>
Net Operating Subsidy	<u>(\$21,941)</u>	<u>(\$21,941)</u>	<u>\$0</u>	<u>0.0%</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

MTS

TAXI

COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006

JUNE 30, 2006

(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue			\$0	-
Other Revenue	896	659	237	36.0%
Total Operating Revenue	896	659	237	36.0%
Subsidy			0	-
Other Non Operating Income		85	(85)	-
Total Non Operating Revenue	0	85	(85)	-
Total Revenue	896	744	152	20.4%
Personnel	572	603	31	5.1%
Services	62	45	(17)	-37.8%
Purchased Transportation			0	-
Overhead Allocation	23	23	0	0.0%
Materials	4		(4)	100.0%
Energy	2	15	13	86.7%
Risk Management			0	-
General and Administrative	45	58	13	22.4%
Vehicle/Facility Lease			0	-
Debt Service			0	-
Total Costs	708	744	36	4.8%
Total Revenue Less Total Costs	188	0	188	100.0%
Net Operating Subsidy	\$188	(\$85)	\$273	321.2%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

MTS SD&AE

COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006

JUNE 30, 2006

(in \$000's)

	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue			\$0	-
Other Revenue	83	100	(17)	-17.0%
Total Operating Revenue	83	100	(17)	-17.0%
Subsidy			0	-
Other Non Operating Income		80	(80)	-
Total Non Operating Revenue	0	80	(80)	-
Total Revenue	83	180	(97)	-53.9%
Personnel	24		(24)	100.0%
Services	114	91	(23)	-25.3%
Purchased Transportation			0	-
Overhead Allocation			0	-
Materials			0	-
Energy			0	-
Risk Management	86	89	3	3.4%
General and Administrative	3		(3)	100.0%
Vehicle/Facility Lease			0	-
Debt Service			0	-
Total Costs	227	180	(47)	-26.1%
Total Revenue Less Total Costs	(144)	0	(144)	100.0%
Net Operating Subsidy	(\$144)	(\$80)	(\$64)	-80.0%

MTS
SUBSIDY INCOME
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

	ACTUAL	BUDGET	VARIANCE	[%] VARIANCE
Federal Revenue	37,804	37,833	(29)	-0.1%
Transportation Development Act (TDA) funds	74,187	74,403	(216)	-0.3%
State Transit Assist (STA) funds	6,573	6,573	0	0.0%
State Revenue - Other	973	544	429	78.9%
TransNet Funds	19,675	19,664	11	0.1%
Other Local subsidies	1,993	2,031	(38)	-1.9%
Reserves			0	-
Total subsidy Revenue	141,205	141,048	157	0.1%
Investment income			0	-
Other Non Operating Income			0	-
Total Non Operating Revenue	0	0	0	-
Total Subsidy and Non Operating Revenue	141,205	141,048	157	0.1%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
MTS
Contingency reserve
COMPARISON TO BUDGET - POST AUDIT - FISCAL YEAR 2006
JUNE 30, 2006
(in \$000's)

Balance, 6/30/05	11,984,448
Adjustments made to Contract Services deferred revenue	<u>1,898,912</u>
Adjusted Beginning Balance	13,883,360
FY 2006 MTS Operations	1,915,000
Investment earnings and other	<u>614,858</u>
Contingency Reserve, 6/30/06	<u><u>16,413,218</u></u>

COMPREHENSIVE
ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2006
SAN DIEGO METROPOLITAN TRANSIT SYSTEM
SAN DIEGO, CALIFORNIA



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

SAN DIEGO, CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2006

(With Independent Auditors' Report Thereon)

Prepared by Finance Department

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SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Comprehensive Annual Financial Report

Year ended June 30, 2006

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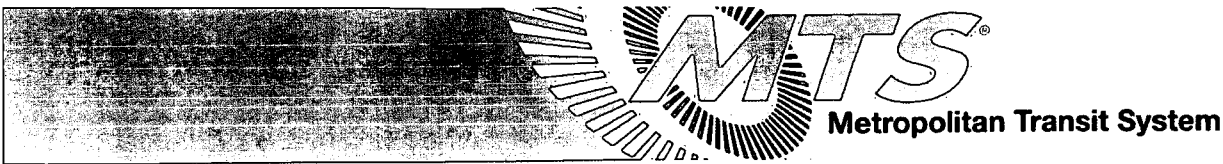
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Comprehensive Annual Financial Report

Year ended June 30, 2006

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(619) 231-1466 • FAX (619) 234-3407

**San Diego Metropolitan Transit System
Board of Directors and Transit Riders:**

The comprehensive annual financial report of the San Diego Metropolitan Transit System (MTS) for the fiscal year ended June 30, 2006 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. Management of MTS is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of MTS are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

State statutes require an annual audit by independent certified public accountants. The firm of Caporicci & Larson has been retained to meet this requirement. The goal of the independent audit was to provide reasonable assurance that the financial statements of MTS for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that MTS' financial statements for the fiscal year ended June 30, 2006 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit was also designed to meet the requirements of a broader, federally mandated "Single Audit" to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports related specifically to the Single Audit are issued under separate cover.

MTS maintains budgetary controls, the objective of which is to ensure compliance with the provisions embodied in the annual appropriated budget approved by the board of directors. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Fund are included in the annual appropriated budgets. Comprehensive multi-year financial plans, adopted when major projects are approved for the final design and construction phase, provide project-length budgetary control in the Capital Projects Fund. The portion of costs expected to be incurred on each project during the fiscal year is included in the annual operating budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by line item within an individual fund. The Chief Executive Officer has the authority to transfer up to \$25,000 between line items. MTS also maintains an encumbrance accounting system as one technique of

accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are evaluated and may be reappropriated as part of the following year's budget.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The San Diego Metropolitan Transit System was created effective January 26, 1976 to provide the policy setting and overall management coordination of the public transportation system in the San Diego metropolitan service area. This service area encompasses approximately 2.19 million people residing in a 570 square mile area of San Diego County, including the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, Santee, and San Diego and the unincorporated area of the County of San Diego. A number of fixed-route operating entities provide the service and have banded together to form a federation of transit service providers called the Metropolitan Transit System (MTS). The purpose of the MTS is to provide coordinated routes, fares, and transfers among the different operating entities.

MTS' mission statement, adopted by the Board of Directors, is to enhance the personal mobility of San Diego metropolitan area residents and visitors by:

- Obtaining maximum benefit for every dollar spent.
- Being the community's major public transportation advocate.
- Increasing public transportation usage per capita.
- Taking a customer-oriented approach.
- Offering high-quality public transportation services.
- Responding to the community's socio-economic interests.

Effective January 1, 2003, Senate Bill 1703 (SB 1703) took effect which consolidated the planning, programming, project development, and construction activities of the San Diego Association of Governments (SANDAG), MTS, and North San Diego County Transit Development Board (NCTD) within SANDAG. The legislation called for an initial transfer of the planning and programming functions from MTS to SANDAG by July 1, 2003 and a subsequent transfer of the project development and construction functions by January 30, 2004. Now that the consolidation is complete, MTS' focus has shifted to transit service operations, as SANDAG, in its newly configured role, is responsible for all other facets of transportation planning, programming, and development. MTS has one voting member on the nine-member Transportation Committee within SANDAG. The Transportation Committee assumed the responsibility and decision-making for all transportation-related planning, programming, and development activities. In accordance with the legislation, the planning and programming functions were transferred to SANDAG on July 1, 2003, and the project development and construction activities were transferred to SANDAG on October 13, 2003.

MTS is effectively an umbrella agency. MTS owns the assets of San Diego Trolley, Inc. (SDTI) and San Diego Transit Corporation (SDTC), the area's two largest transit operators. These two transit units were formed under California law as not-for-profit public corporations and function as operating subsidiaries of MTS. SDTI and SDTC are considered component units and are blended component units for financial reporting purposes. SDTI operates three Light Rail Transit (LRT) routes, the Blue Line from the Mission San Diego Station to San Ysidro at the International Border, the Orange Line

from the Imperial and 12th Bayside Platform through Centre City and then east to Santee, and the Mission Valley Extension, known as the Green Line, which began service in July 2005. With this addition of 5.8 miles of track, SDTI now operates on a total of 54.3 miles of track. SDTC operates 29 routes with an active fleet of 274 buses.

The relationship between MTS and the transit operating subsidiaries, SDTI and SDTC, is formally established through operating agreements and MTS-adopted corporate policies. These agreements and corporate policies specify the roles and responsibilities of each of the organizations and outline the procedures in numerous functional areas including auditing and budgeting, fare setting, marketing and public information, revenue-producing advertising, service contracts, and programming of federal, state and local subsidies. The MTS Board of Directors has the policy-setting responsibility for the operation and development of MTS' transit operating subsidiaries as well as for the planning and approval of capital expenditures by or on behalf of these entities. The day-to-day operating functions, labor matters and maintenance of facilities are managed by the individual transit operators.

Starting in July of 2004 and continuing forward, MTS has begun to centralize and consolidate many functions within SDTI and SDTC. These include Planning, Human Resources, Finance, and Purchasing. This is a gradual process that has been on-going and will continue for some time.

In addition, MTS owns the San Diego and Arizona Eastern Railway Company (SD&AE), a not-for-profit railroad holding company entrusted with assets which include 108 miles of rail line and over 2,000 acres of property. MTS has a contract with the San Diego and Imperial Valley Railway Co. (SDIV) for the operation of freight rail services over the SD&AE rail line. MTS provides no subsidy to SDIV, but does receive a portion of its gross revenue. SD&AE is considered a component unit and a blended component unit for financial reporting purposes.

In addition to the bus routes operated by SDTC, MTS is financially accountable for the operation of certain other bus routes. MTS contracts with an outside party for the operation of these bus routes. The contracts require full operation and maintenance of the bus services. These contract services are accounted for in the Other Contracted Services Enterprise Fund for financial reporting purposes. Effective July 1, 2002, the responsibility for operating the County Transit System (CTS) was transferred from the County of San Diego to MTS. CTS operating services are combined with the Other Contracted Services Enterprise Fund for financial reporting purposes.

MTS also is financially accountable for the operation of Taxicab Administration services, which includes regulating the issuance of taxi and jitney service permits in the Cities of San Diego, El Cajon, Imperial Beach, Lemon Grove, National City, Poway, and Santee. Taxicab Administration is accounted for in an Enterprise Fund for financial reporting purposes.

The MTS Board of Directors is comprised of 15 members with four appointed from the San Diego City Council, one appointed from the San Diego County Board of Supervisors, one appointed from each city council of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee, and one elected by other Board members to serve as Chairman.

ECONOMIC CONDITION AND OUTLOOK

Operations

Historically, the San Diego region has enjoyed strong economic expansion, outpacing both the state and national economies. San Diego's gross regional product (GRP), the estimated total value of the regions' economy was estimated at \$151.1 billion for FY 2005 (most recent estimate available). This was a growth of 6.6% percent, better than the state and national averages. MTS-area fixed-route

ridership increased during FY 2006. The opening of the Mission Valley East line in July 2005 has added a large component of daily ridership.

The principal local source of operating subsidy for MTS' transit programs is Transportation Development Act (TDA) funding. One-fourth percent of the local sales tax in each California County is dedicated to transportation purposes.

On a local level, area voters approved a one-half cent transportation sales tax in 1987, called TransNet. One-third of the sales tax proceeds is allocated for transit purposes which is further divided between MTS and North County Transit District (MTS' counterpart in North San Diego County) based on the proportion of the population within the area of each jurisdiction. Prior to FY 2004, 80% of the transit TransNet funds had to be used for expansion of the light rail system. The remaining 20% could be used for operations after funding a reduced price pass program for seniors, disabled, and youth, which is capped at \$5.5 million. As a result of operating budget pressures, the ratio was changed in June 2003 so that up to 40% of the TransNet program can be used for operations (increased from 20%). The current TransNet sales tax expires in 2008. A reauthorization measure was approved by voters in November 2004 extending the TransNet sales tax for 40 additional years. This has removed a major potential funding problem that would have occurred in 2008 and beyond.

Major Initiatives

With the changes brought about by SB 1703, the MTS focus is now clearly on operations rather than development. Specifically, this is providing quality, efficient, and reliable service to customers using resources to maximum effect. Two major challenges are to align operating costs with recurring revenues and rebuild the capital program in order to be able to replace aging infrastructure.

One of the tools MTS is currently using is a Comprehensive Operational Analysis (COA), the first in MTS history. The purpose of the COA is to assess its ridership and route structure on a comprehensive basis. This assessment is allowing MTS to better align its operations in all areas. The benefits are at least two fold. First it better matches riders with where they want to go offering opportunities for increased ridership and better service to customers and the larger community. Second, it acts as a priority guide for providing service. In doing so, various service levels can be effectively evaluated to coincide with available recurring revenues. Matching the proper service level to available recurring revenues eliminates structural deficits that have produced challenges for MTS for the last few years.

The Mission Valley East (MVE) LRT Line opened in July 2005. It extends 5.8 miles from Interstate 15 in Mission Valley to Baltimore Drive in La Mesa primarily along the I-8 corridor. It has added four stations and the first tunnel for MTS. In opening Mission Valley East, a new green line service was initiated, which consists of previous blue line stations from Old Town to Mission San Diego and the four new stations.

FINANCIAL MANAGEMENT

Pension Funds

MTS and SDTI contract with the California Public Employees Retirement System (PERS) to provide retirement plans for their employees. The employees of SDTC participate in the San Diego Transit Corporation Employee Retirement Plan, a single-employer public employee retirement plan.

Debt Administration

Capital Leases – MTS has two capitalized lease obligations with current year debt service of \$450 thousand. One lease obligation is the result of a joint venture arrangement whereby the joint venture

issued certificates of participation (COPs), and MTS services the debt through lease payments. The other is a lease purchase agreement for the acquisition of telecommunications equipment.

On the COP issue which related to the construction of the MTS Tower, the rating, which was based on the strength of the joint venture and the primary lessor (the County of San Diego), was Aaa by Moody's Investors Service and AAA by Standard & Poor's Corporation.

Finance Obligations – MTS has four finance obligations. Total debt service for FY 06 was \$14 million. Two finance obligations are the result of Light Rail Vehicle (LRV) sale/leaseback and lease/leaseback transactions. Proceeds from these transactions were placed into various investments that mature at values sufficient to cover all remaining obligations as well as amounts necessary to exercise the repurchase options where applicable. In addition, MTS issued Certificates of Participation to fund the automated fare collection project in 2003 and the regional transit management project in 2002.

Pension Obligation Bonds – MTS issued Taxable Pension Obligation Bonds in 2004 to reduce the unfunded liability in the SDTC retirement plan. This obligation is reported by SDTC.

Cash Management

To facilitate optimum management of MTS' resources, cash in all the individual funds is combined to form a pool of cash for short-term investment, except for restricted funds, which are generally held by outside custodians on behalf of capital projects and enterprise funds. MTS' funds are invested in accordance with its written policy which is consistent with the California Government Code 53600. MTS uses the services of an outside investment management firm to handle the daily investment activities. Further details of MTS' cash and investments at June 30, 2006 are set forth in Note 4 to the financial statements.

Risk Management

MTS (including Taxicab Administration, SD&AE, and Other Contracted Services), SDTI, and SDTC are protected against the adverse consequences of material or financial loss through a balanced program of risk retention and the purchase of commercial insurance. MTS, SDTI, and SDTC are insured for liability, property, and workers' compensation claims under a combined insurance program. Claims in excess of the various deductibles and self-insured retention amounts which range from \$50,000 to \$2,000,000 are insured with commercial carriers up to \$75,000,000 for liability and up to \$600,000,000 for property damage.

Acknowledgments

The preparation of this report was accomplished with the cooperation of MTS' management and staff. We express our appreciation to the staff members who contributed to the preparation of this report.

Respectfully submitted,



Paul Jablonski
Chief Executive Officer



Cliff Telfer
Chief Financial Officer

November 30, 2006

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Year ended June 30, 2006

BOARD OF DIRECTORS

Members	Board position (elected position)
Harry Mathis	Chairman, since 1/06
Jerry Rindone	Vice Chairman, since 7/91 (Councilmember, City of Chula Vista)
Toni Atkins	Board Member, since 12/02 (Deputy Mayor, City of San Diego)
Thomas E. Clabby	Board Member, since 6/96 (Councilmember, City of Lemon Grove)
Robert Emery	Chair, Pro Tem, since 7/85 (Councilmember, City of Poway)
Ernest Ewin	Board Member, since 03/05 (Councilmember, City of La Mesa)
Kevin Faulconer	Board Member, since 1/06 (Councilmember, City of San Diego)
Mark Lewis	Board Member, since 12/98 to 4/00, 12/02 (Mayor, City of El Cajon)
Brian Maienschein	Board Member, since 12/00 (Councilmember, City of San Diego)
Fred McLean	Board Member, since 1/06, (Councilmember, City of Imperial Beach)
Phil Monroe	Board Member, since 4/02 (Councilmember, City of Coronado)
Ron Morrison	Board Member, since 6/04 (Councilmember, National City)
Ron Roberts	Board Member, since 12/89 (County Board of Supervisors)
Hal Ryan	Board Member, since 1/04 (Councilmember, City of Santee)
Tony Young	Board Member, since 1/05 (Councilmember, City of San Diego)

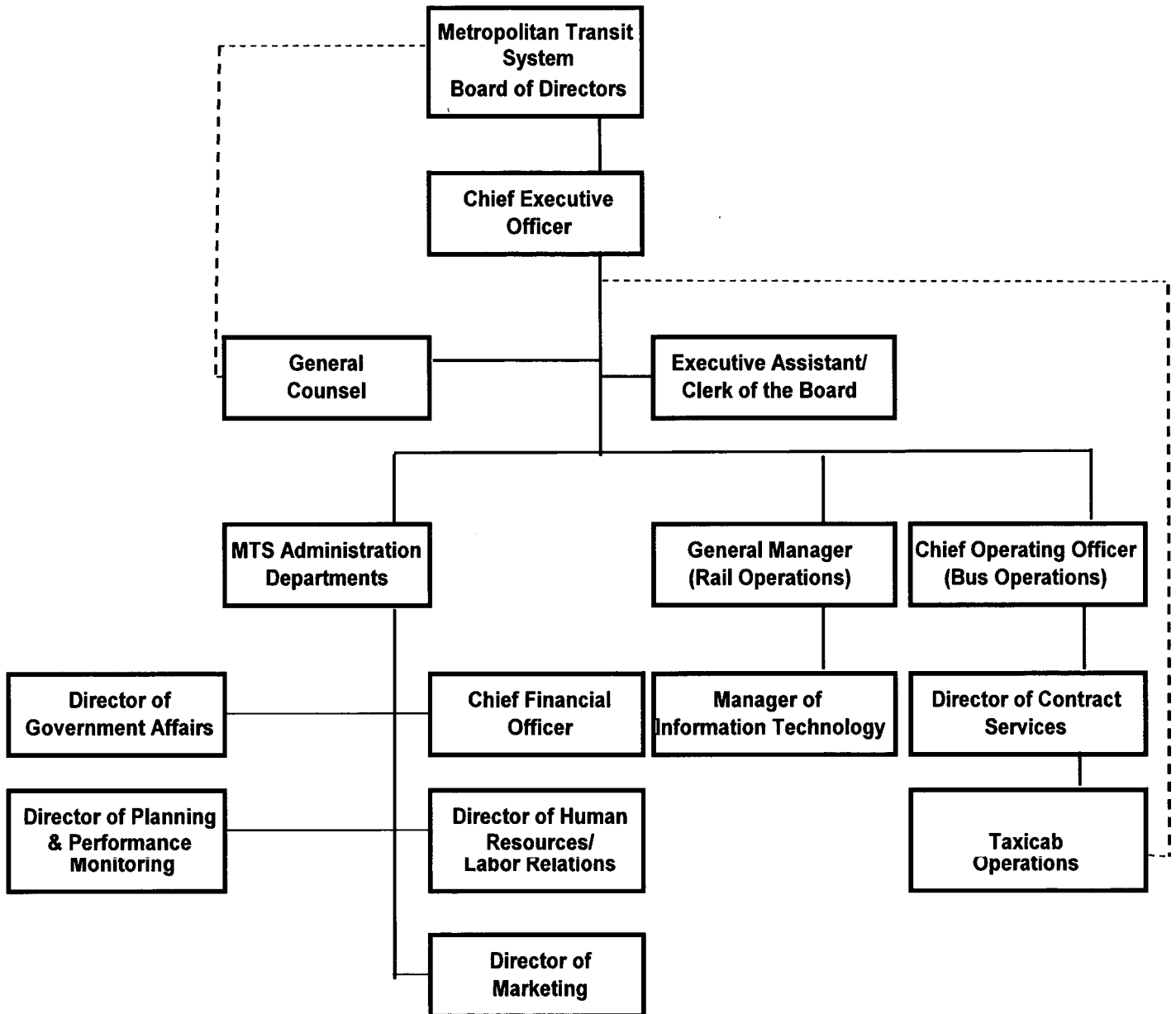
MTS MANAGEMENT

Staff	Position
Paul Jablonski	Chief Executive Officer, as of January 2004
Tiffany Lorenzen	General Counsel
Cliff Telfer	Chief Financial Officer
Claire Spielberg	Chief Operations Officer, Bus (SDTC)
Peter Tereschuck	President-General Manager, Rail (SDTI)
Conan Chung	Director, Planning and Performance Monitoring
Sharon Cooney	Director, Government Affairs and Community Relations
Susan Hafner	Director, Multimodal Operations City of San Diego
Robert Schupp	Director, Marketing and Communications
Jeff Stumbo	Director, Human Resources and Labor Relations

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Executive Level Organization Chart

Fiscal Year 2006



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the San Diego Metropolitan Transit System (MTS), as of and for the year ended June 30, 2006, which collectively comprise MTS' basic financial statements as listed in the table of contents. These financial statements are the responsibility of MTS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of MTS as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of MTS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 1 to the basic financial statements, MTS adopted the Governmental Accounting Standards Board Statements No. 44, *Economic Condition Reporting: the Statistical Section (an amendment of NCGA Statement 1)*, No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)*, and No. 47, *Accounting for Termination Benefits*.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, Budgetary Information and Schedule of Funding Progress of Defined Pension Plans, as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

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To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MTS' basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

San Diego, California
November 30, 2006

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

The following discussion and analysis of the financial performance of the San Diego Metropolitan Transit System (MTS) is intended to provide an overview of MTS' financial activities for the fiscal year ended June 30, 2006. This information should be used in conjunction with the Letter of Transmittal, which can be found on pages 1 through 6 of this report.

Financial Highlights

- Net assets, as reported in the statement of net assets, totaled \$1,248 million as of June 30, 2006. Of this amount, \$2.1 million is unrestricted. Total net assets decreased by \$17.4 million.
- As of June 30, 2006, MTS' governmental funds reported combined ending fund balances of \$182.5 million, a decrease of \$5.3 million in comparison with an increase of \$9.6 million the prior year. Of this amount, \$4.1 million is unreserved.
- For the year ended June 30, 2006, the combined farebox recovery ratio (the measure of the ability to recover operating costs through fare revenue) for San Diego Trolley, Inc., San Diego Transit Corporation, and MTS Contracted Services was 37.0%, compared to 35.5% for the previous year. A number of factors have brought about this increase, principally increased ridership and lower operating costs at San Diego Transit Corporation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MTS' financial statements. MTS' financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of MTS' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of MTS' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MTS is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of MTS that are principally supported by grant revenue and subsidies (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of MTS include general government and transit operations funding. The business-type activities of MTS include transit services that are operated on a contracted basis with third parties and the taxicab regulatory function. In addition, the government-wide financial statements include not only MTS itself (*known as the primary government*), but also two legally separate transit operators and one legally separate freight railway, for which MTS is financially accountable: San Diego and Arizona Eastern Railway Company (SD&AE).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MTS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of MTS can be divided into two categories: governmental funds and proprietary funds.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows* of spendable resources, as well as on *balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

MTS maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Subsidy Pass-Through Special Revenue Fund, the TransNet Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund, all of which are considered to be major funds.

MTS adopts an annual appropriated budget for the General Fund, the Special Revenue Funds, and the Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund and major Special Revenue Funds to demonstrate compliance with the budget.

Proprietary funds. *Enterprise funds* (a proprietary fund type) are used to report the same functions presented as *business-type activities* in the government-wide financial statements. MTS uses enterprise funds to account for its Taxicab Administration and Other Contracted Services, as well as SDTI, SDTC, and SD&AE

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for SDTI, SDTC, and Other Contracted Services, a major fund of MTS. Taxicab Administration and SD&AE are reported together as nonmajor proprietary funds of MTS. In addition, MTS prepares individual financial statements for SDTI and SDTC.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning MTS' progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of MTS, assets exceeded liabilities by \$1,248 million at the close of the most recent fiscal year.

The largest portion of MTS' net assets reflects the investment in capital assets, net of related debt. Most of the investment in capital assets is comprised of trolley system assets, buses, and construction-in-progress totaling \$119.5 million, of which the largest projects currently under construction are the Automated Fare Collection System and the San Ysidro Intermodal Transit Center (currently \$31.2 million and \$27.5 million respectively). The capital assets that are represented by the construction-in-progress will be used to provide services to citizens; consequently, these assets

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

are *not* available for future spending. In FY 2006 MTS transferred completed projects worth \$483 million to SDTC, SDTI and Other Contracted Services Fund.

MTS has recorded prior period adjustments totaling \$27,461,021 to properly state unearned revenue in Capital Projects and Debt Service Funds, and to properly state TransNet revenue in the TransNet Fund (see Note 15). SDTC has recorded a prior period adjustment totaling \$704,362 to properly state the liability for compensated absences (see Note 15). All comparative schedules will be presented as restated by the prior period adjustment.

	Governmental Activities June 30, 2006	Governmental Activities (restated) June 30, 2005	Change
Current and other assets	\$ 198,054,162	\$ 257,977,676	\$ (59,923,514)
Capital assets	154,290,529	615,618,669	(461,328,140)
Total assets	<u>352,344,691</u>	<u>873,596,345</u>	<u>(521,251,654)</u>
Long-term liabilities outstanding	173,812,181	220,449,815	(46,637,634)
Other liabilities	30,704,556	47,363,292	(16,658,736)
Total liabilities	<u>204,516,737</u>	<u>267,813,107</u>	<u>(63,296,370)</u>
Net assets (deficit):			
Invested in capital assets, net of related debt	111,959,506	420,667,651	(308,708,145)
Unrestricted	35,868,448	185,115,587	(149,247,139)
Total net assets	<u>\$ 147,827,954</u>	<u>\$ 605,783,238</u>	<u>\$ (457,955,284)</u>
	Business-Type Activities June 30, 2006	Business-Type Activities (restated) June 30, 2005	Change
Current and other assets	\$ 87,280,767	\$ 94,064,838	\$ (6,784,071)
Capital assets	1,134,242,639	695,486,022	438,756,617
Total assets	<u>1,221,523,406</u>	<u>789,550,860</u>	<u>431,972,546</u>
Long-term liabilities outstanding	95,630,429	97,828,047	(2,197,618)
Other liabilities	25,411,482	31,799,826	(6,388,344)
Total liabilities	<u>121,041,911</u>	<u>129,627,873</u>	<u>(8,585,962)</u>
Net assets (deficit):			
Invested in capital assets, net of related debt	1,134,242,639	695,486,022	438,756,617
Unrestricted	(33,761,144)	(35,563,034)	1,801,890
Total net assets	<u>\$ 1,100,481,495</u>	<u>\$ 659,922,988</u>	<u>\$ 440,558,507</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

Governmental Activities. Governmental activities decreased MTS' net assets by \$458 million. Key elements of this decrease are as follows:

	<u>2006</u> <u>Governmental</u> <u>Activities</u>	<u>2005</u> <u>Governmental</u> <u>Activities</u>	<u>Change</u>
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 124,018,111	\$ 86,270,079	\$ 37,748,032
Capital grants and contributions	31,727,904	55,623,439	(23,895,535)
General revenues:			
Interest income	6,966,330	11,638,987	(4,672,657)
Indirect cost recovery	1,685,026	2,827,481	(1,142,455)
Total revenues	<u>164,397,371</u>	<u>156,359,986</u>	<u>8,037,385</u>
Expenses:			
General government	10,144,463	10,429,104	(284,641)
Transit operations funding	85,352,004	73,905,584	11,446,420
Transit capital funding	-	261,775	(261,775)
Misc office/other expense	34,502	-	34,502
Interest on long-term debt	8,136,111	8,669,729	(533,618)
Total expenses	<u>103,667,080</u>	<u>93,266,192</u>	<u>10,400,888</u>
Increase (decrease) in net assets before capital contributions and transfers	60,730,291	63,093,794	(2,363,503)
Capital contributions - SANDAG	895,826	946,278	(50,452)
Capital contributions - MTS	(483,169,381)	(21,679,153)	(461,490,228)
Transfers	(36,412,020)	(626,720)	(35,785,300)
Increase (decrease) in net assets	<u>(457,955,284)</u>	<u>41,734,199</u>	<u>(499,689,483)</u>
Net assets – Beginning of year as restated	605,783,238	564,049,039	41,734,199
Net assets – End of year	<u>\$ 147,827,954</u>	<u>\$ 605,783,238</u>	<u>\$ (457,955,284)</u>

Capital and operating grants and contributions continue to be a major portion of the revenue used to fund transit operations and capital projects. Variances between FY 2006 and FY 2005 governmental activities are largely attributable to the \$483 million contribution of completed capital projects to SDTC, SDTI and Other Contracted Services. The largest portion of this contribution, \$481 million, consisted of the completed Mission Valley East project contributed to San Diego Trolley. In addition, there was a decrease in the current year subsidy for capital projects.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

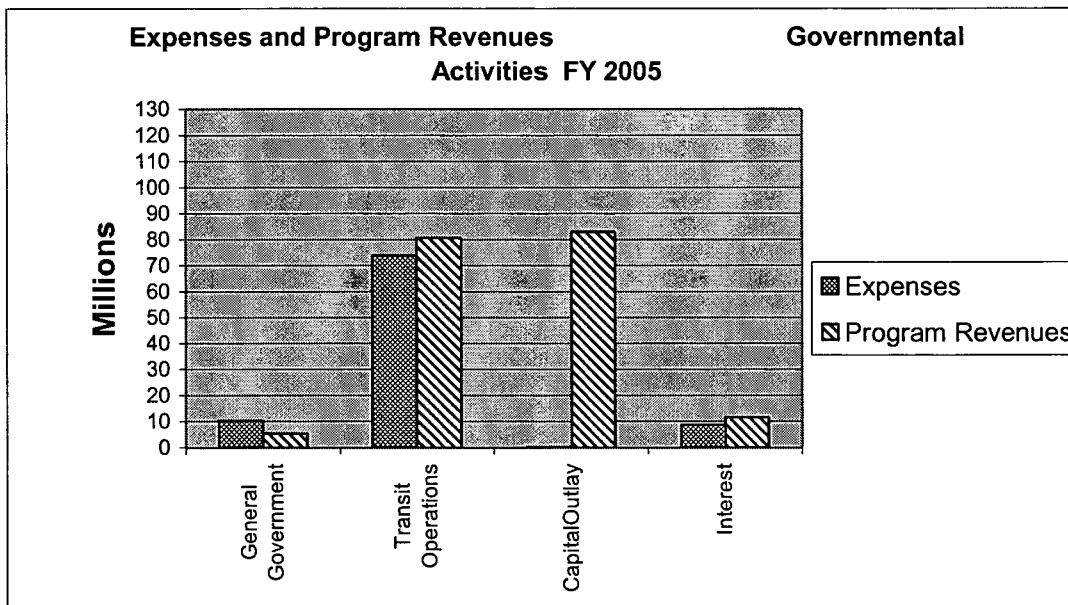
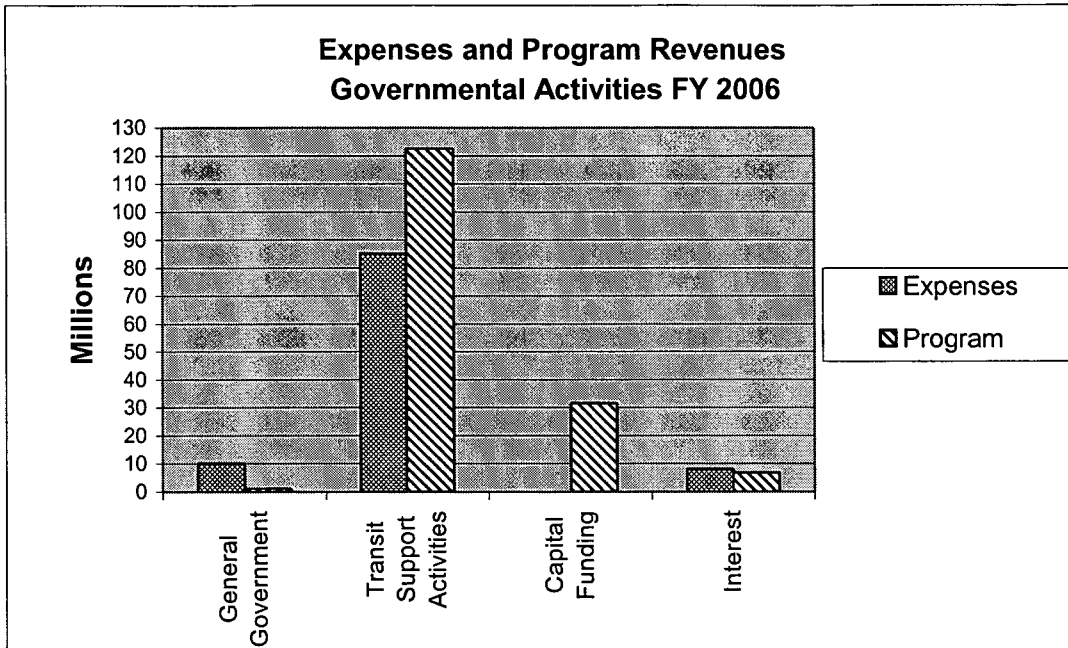
Variances between FY 2006 and 2005 business-type activities are due primarily to capital assets totaling \$505 million contributed by MTS, SANDAG and others.

	<u>2006</u>	<u>2005</u>	
	<u>Business-Type</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities, as</u>	<u>Change</u>
		<u>restated</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 70,183,914	\$ 66,055,549	\$ 4,128,365
Operating grants and contributions	73,349,516	101,128,154	(27,778,638)
Total revenues	<u>143,533,430</u>	<u>167,183,703</u>	<u>(23,650,273)</u>
Expenses:			
Transportation	<u>244,673,515</u>	<u>224,969,714</u>	<u>19,703,801</u>
Total expenses	<u>244,673,515</u>	<u>224,969,714</u>	<u>19,703,801</u>
Increase (decrease) in net assets			
before capital contributions and			
transfers	(101,140,085)	(57,786,011)	(43,354,074)
Capital contributions-other	22,117,191	29,061,061	(6,943,870)
Capital contributions-MTS	483,169,381	21,679,153	461,490,228
Transfers	<u>36,412,020</u>	<u>626,720</u>	<u>35,785,300</u>
Increase in net assets	<u>440,558,507</u>	<u>(6,419,077)</u>	<u>446,977,584</u>
Net assets – beginning of year as restated	<u>659,922,988</u>	<u>666,342,065</u>	<u>(6,419,077)</u>
Net assets – end of year	<u>\$1,100,481,495</u>	<u>\$ 659,922,988</u>	<u>\$ 440,558,507</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

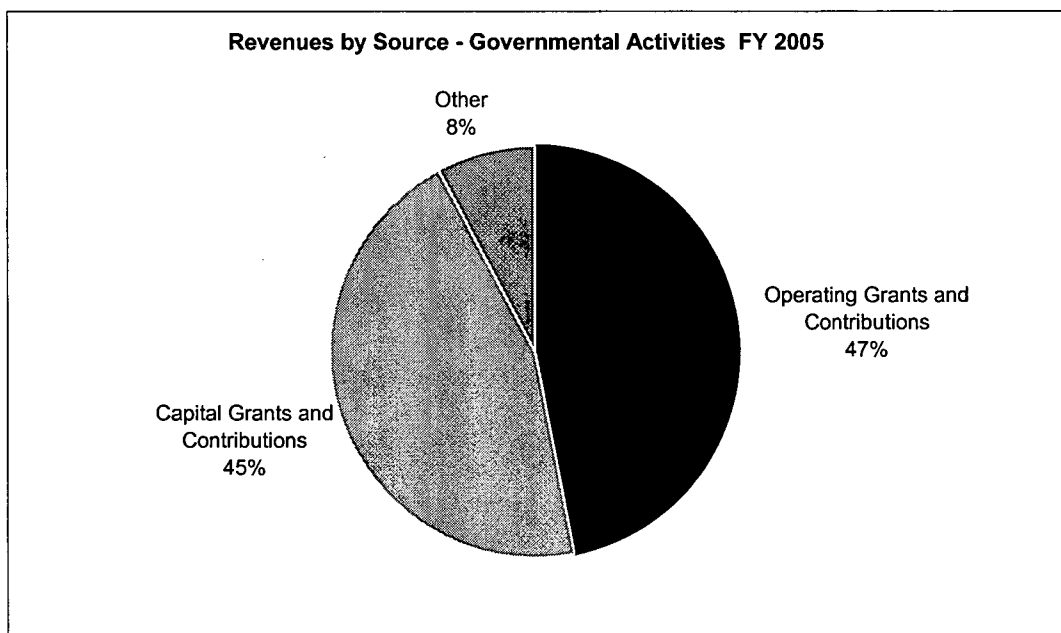
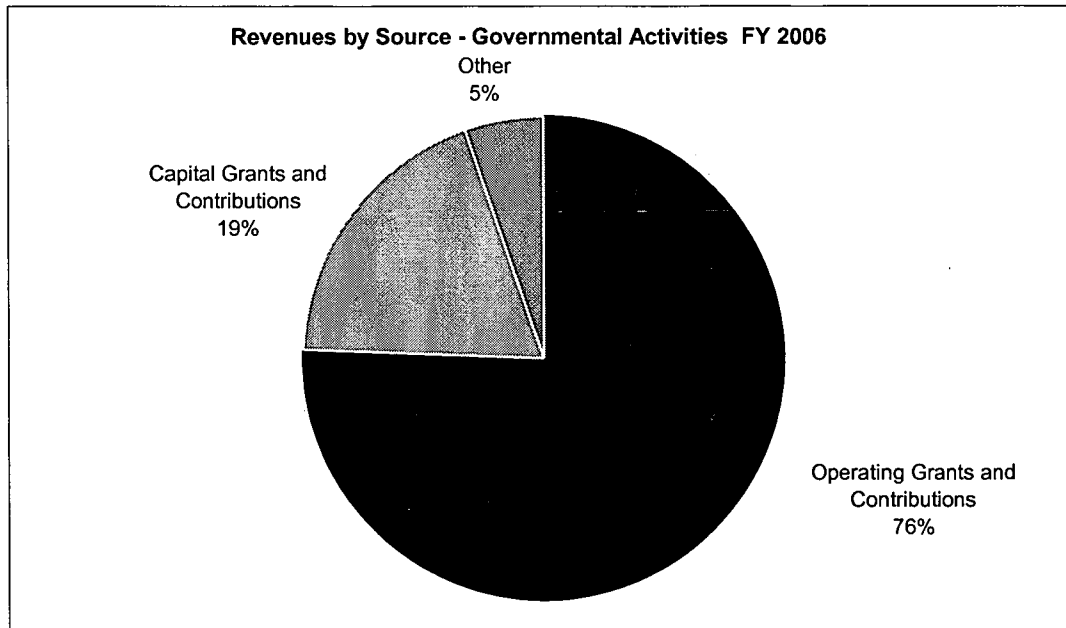
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Management's Discussion and Analysis

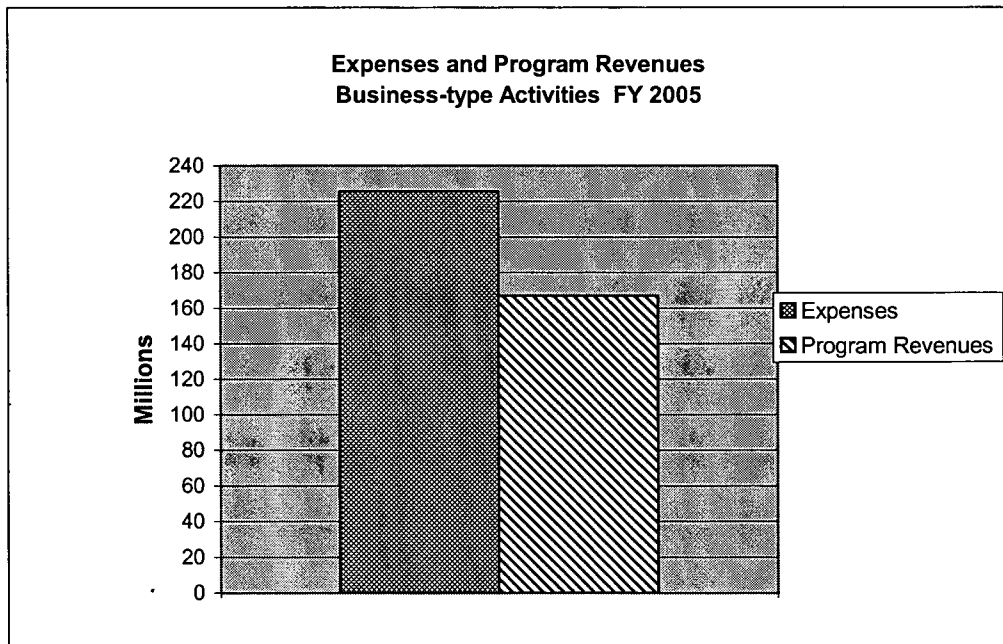
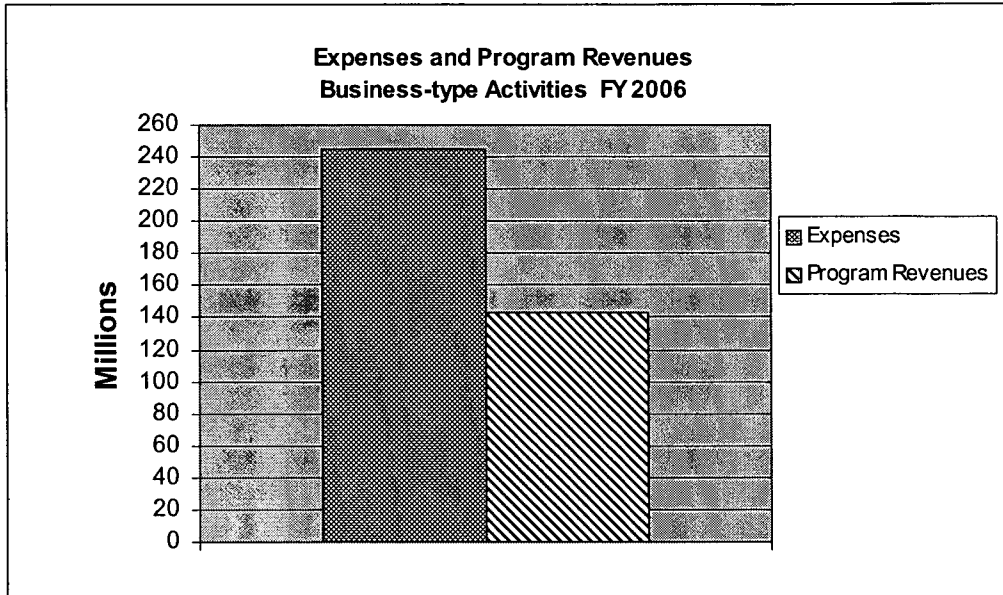
June 30, 2006



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Management's Discussion and Analysis

June 30, 2006

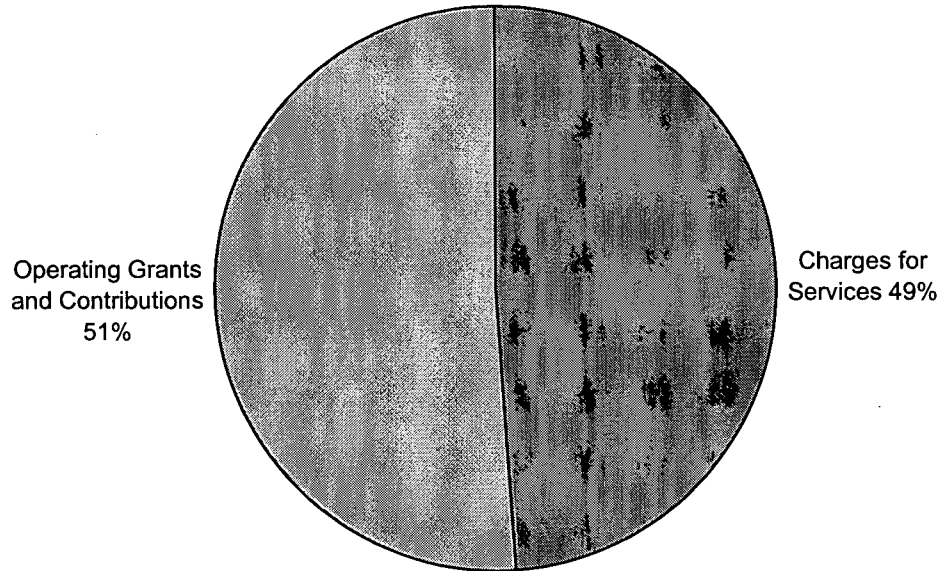


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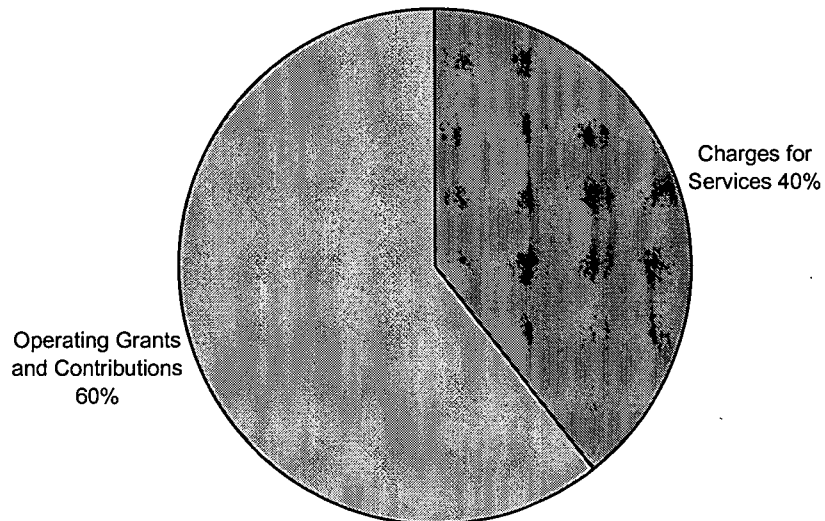
Management's Discussion and Analysis

June 30, 2006

Revenues by Source - Business-type Activities FY 2006



Revenues by Source - Business-type Activities FY 2005



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

Financial Analysis of the Government's Funds

As noted earlier, MTS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of MTS' *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MTS' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, MTS' governmental funds reported combined ending fund balances of \$182.5 million, a decrease of 2.8% in comparison with the prior year, due largely to the timing of capital project expenses and funding.

The General Fund is the chief operating fund of MTS. At the end of each fiscal year, MTS transfers any excess funds in the General Fund to the Subsidy Pass-Through Special Revenue Fund where it is deposited in the MTS Contingency Reserve (part of unreserved fund balance of the Subsidy Pass-Through Special Revenue Fund). Therefore, at the end of the current year, there was no undesignated unreserved fund balance in the General Fund. Revenues were \$1.9 million favorable to budget due to unbudgeted indirect cost recovery. Expenditures were \$1.0 million unfavorable to budget largely due to higher than planned pension costs.

The fund balance of MTS' General Fund increased by \$670,000.

The Subsidy Pass-Through Fund is a special revenue fund used to account for the subsidy funds collected on behalf of and passed through to component units. It is also used to account for the fund balance reserves maintained for capital replacement and other purposes. The Subsidy Pass-Through Fund has a total fund balance of \$21.1 million of which \$10,000 is considered reserved because of third-party legal restrictions. The remainder \$21.1 million is unreserved, of which \$4.3 million is designated by the MTS Board for specific uses. The net increase in the fund balance during the current year was \$3.9 million, which has increased the contingency reserve. The funds were used during the current year for operating purposes and for the local match to federal capital grants.

The TransNet Fund is a special revenue fund used to account for the funds received pursuant to the one-half cent local sales tax increase resulting from the passage of Proposition A by area voters in 1987. The TransNet Fund has a total fund balance of \$19.7 million, all of which is considered unreserved, designated. The net increase in the fund balance during the current year was \$22.7 million.

The Capital Projects Fund is used to account for all the capital projects undertaken by MTS. The Capital Projects Fund has a total negative fund balance of \$37.7 million. The net decrease in the fund balance during the current year was \$27.9 million, attributable to refunding of TransNet funds advanced from SANDAG in prior years and the timing of expenditures and grant receipts.

The Debt Service Fund is used to account for all the debt service incurred by MTS. The ending fund balance was \$178.4 million, all of which is restricted for debt service purposes and is therefore considered reserved. The net decrease in the fund balance during the current year was \$4.6 million as a result of scheduled debt service payments partially offset by interest income earned on invested funds.

Proprietary funds. MTS' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

The net assets balance of the Other Contracted Services Fund is \$34.6 million, most of which is invested in capital assets. The remainder \$182,000 is unrestricted. The total decrease in net assets for Other Contracted Services is approximately \$2.8 million attributable to \$6.2 million depreciation expense for the current year partially offset by receipt of \$3.7 million in contributed capital assets.

The net assets balance in SDTI is \$1,024 million, \$1,031 million of which is invested in capital assets and the remaining \$(6.4) million deficit is unrestricted. The total increase in net assets for 2006 is approximately \$450.7 million, attributable to receipt of \$501 million in contributed capital assets partially offset by depreciation expense totaling \$50 million in the current year.

The net assets balance in SDTC is \$40.7 million, \$68.6 million of which is invested in capital assets and the remaining \$(27.9) million deficit is unrestricted. The total reduction in net assets for 2006 is approximately \$7.3 million due to current year depreciation expense totaling \$8.4 million partially offset by receipt of \$704,000 in contributed capital assets and a \$704,000 prior period adjustment.

The net assets balance in non-major funds is \$904,000, \$487,000 of which is invested in capital assets and the remaining \$417,000 is unrestricted. The total increase in net assets for 2006 is \$3,000.

General Fund Budgetary Highlights

Differences between the General Fund original budget and the final amended budget were \$646,000 increase in appropriations, summarized as follows:

- \$568,000 decrease in the credit for allocated overhead
- \$169,000 increase in outside services
- \$65,000 increase in other general administrative expense, partially offset by:
- \$156,000 decrease in personnel expense

In addition, the final amended budget included a \$65,000 increase in other income.

Capital Asset and Debt Administration

Capital assets. MTS' investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$1,289 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction-in-progress. MTS' investment in capital assets for governmental activities decreased by 76% in the current year, attributable to contribution of completed Mission Valley East project to San Diego Trolley.

Major capital asset events during the current fiscal year included the following:

- The Mission Valley East project was substantially completed and \$481 million was contributed to San Diego Trolley.
- Construction continued on the 12th Avenue improvements with \$400,000 expended in the current fiscal year, bringing the total construction-in-progress for these projects to \$10.2 million.
- Construction continued on the San Ysidro Intermodal Transportation Center with \$1.2 million expended in the current fiscal year, bringing the total construction-in-progress for this project to \$26 million.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

- Completed capital projects totaling \$20.3 million were transferred from SANDAG to MTS and its component units during FY 2006.

CAPITAL ASSETS (Net of depreciation)

	2006		
	Governmental Activities	Business-Type Activities	Total
Land	\$ 21,957,196	\$ 167,054,480	\$ 189,011,676
Buildings	10,137,914	788,134,138	798,272,052
Vehicles	16,938	175,157,913	175,174,851
Equip & other	2,703,323	3,896,108	6,599,431
Construction-in-progress	119,475,158	-	119,475,158
Total	<u>\$ 154,290,529</u>	<u>\$ 1,134,242,639</u>	<u>\$ 1,288,533,168</u>

	2005		
	Governmental Activities	Business-Type Activities	Total
Land	\$ 21,957,196	\$ 167,054,480	\$ 189,011,676
Buildings	7,023,910	332,264,054	339,287,964
Vehicles	44,028	190,952,732	190,996,760
Equipment	3,247,684	5,214,756	8,462,440
Construction-in-progress	583,345,851	-	583,345,851
Total	<u>\$ 615,618,669</u>	<u>\$ 695,486,022</u>	<u>\$ 1,311,104,691</u>

Additional information on MTS' capital assets can be found in Note 5 to the financial statements.

Long-term debt. At the end of the current fiscal year, MTS has two capital lease obligations outstanding in the amounts of \$8.5 million and \$320,000. In addition, MTS has five finance obligations outstanding relating to one sale/leaseback transaction entered into in 1990, one lease/leaseback transaction entered into in 1995, certificates of participation issued in fiscal years 2003 and 2004, and Pension Obligation Bonds issued in fiscal year 2005, for a total obligation of \$247.5 million. In connection with the lease/leaseback transactions, MTS placed funds on deposit, which, together with the interest earned on the deposits, will be sufficient to cover the amounts due under the finance obligations. The certificates of participation were issued in fiscal 2003 for \$17.8 million to finance a regional transit management system to provide intelligent transportation system and radio communication services; and in fiscal 2004 for \$32.9 million to finance the regional automated fare collection system project. The pension obligation bonds were issued in fiscal 2005 for \$77.5 million to make a contribution to the SDTC retirement plan and reduce its unfunded liability.

Bond Ratings

Moody's Investor's service provided an intrinsic rating for the Regional Transit Management System certificates of participation at Aaa in 2002, for the Automated Fare Collection certificates of participation at Aaa in 2003, and for the

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Discussion and Analysis

June 30, 2006

Pension Obligation Bonds at Aaa in 2004. Additional information on MTS' long-term debt can be found in Note 8 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of MTS' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, MTS, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Statement of Net Assets

June 30, 2006

Assets	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 782,337	\$ 6,924,826	\$ 7,707,163
Investments	475,798	-	475,798
Accounts and other receivables	733,408	5,682,153	6,415,561
Accounts receivable from other governments	38,785,089	2,494,352	41,279,441
Internal balances	3,517,807	(3,517,807)	-
Materials and supplies inventory	-	6,830,241	6,830,241
Prepaid items and other assets	2,486,873	111,358	2,598,231
Total current assets	<u>46,781,312</u>	<u>18,525,123</u>	<u>65,306,435</u>
Restricted assets:			
Cash and certificates of deposit restricted for capital support	6,187,781	-	6,187,781
Investments restricted for debt service	144,519,137	-	144,519,137
Total restricted assets	<u>150,706,918</u>	<u>-</u>	<u>150,706,918</u>
Noncurrent assets:			
Bond issuance costs, net of accumulated amortization	565,932	1,120,006	1,685,938
Capital assets, net of accumulated depreciation	154,290,529	1,134,242,639	1,288,533,168
Net pension asset	-	67,635,638	67,635,638
Total noncurrent assets	<u>154,856,461</u>	<u>1,202,998,283</u>	<u>1,357,854,744</u>
Total assets	<u>352,344,691</u>	<u>1,221,523,406</u>	<u>1,573,868,097</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Statement of Net Assets (Continued)

June 30, 2006

Liabilities	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current liabilities:			
Accounts payable	2,986,801	8,427,452	11,414,253
Accrued expenses	303,008	5,188,676	5,491,684
Compensated absences			
payable, due within one year	299,484	6,486,995	6,786,479
Retentions payable	117,673	10,000	127,673
Long-term debt, due within one year	21,502,476	1,455,000	22,957,476
Accrued damage, injury, and employee			
claims, due within one year	202,000	2,736,197	2,938,197
Unearned revenue	5,293,114	1,107,162	6,400,276
Total current liabilities	30,704,556	25,411,482	56,116,038
Liabilities payable from restricted assets:			
Retentions payable	6,187,781	-	6,187,781
Long-term debt	144,519,137	-	144,519,137
Total liabilities payable from			
restricted assets	150,706,918	-	150,706,918
Noncurrent liabilities:			
Compensated absences			
payable, due in more than one year	337,716	4,882,626	5,220,342
Accrued damage, injury, and employee			
claims, due in more than one year	8,074,503	16,127,803	24,202,306
Long-term debt, due in more than one year	14,693,044	74,620,000	89,313,044
Total noncurrent liabilities	23,105,263	95,630,429	118,735,692
Total liabilities	204,516,737	121,041,911	325,558,648
Net Assets			
Invested in capital assets, net of			
related debt	111,959,506	1,134,242,639	1,246,202,145
Unrestricted (deficit)	35,868,448	(33,761,144)	2,107,304
Total net assets	\$ 147,827,954	\$1,100,481,495	\$1,248,309,449

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 10,144,463	\$ -	\$ 1,182,150	\$ -	\$ (8,962,313)	\$ -	\$ (8,962,313)
Transit operations funding	85,352,004	-	122,835,961	-	37,483,957	-	37,483,957
Transit capital funding	-	-	-	31,727,904	31,727,904	-	31,727,904
Misc office/other expense	34,502	-	-	-	(34,502)	-	(34,502)
Interest on long-term debt	8,136,111	-	-	-	(8,136,111)	-	(8,136,111)
Total governmental activities	<u>103,667,080</u>	<u>-</u>	<u>124,018,111</u>	<u>31,727,904</u>	<u>52,078,935</u>	<u>-</u>	<u>52,078,935</u>
Business-type activities:							
Other Contracted Services	60,542,066	17,382,224	248,150	-	-	(42,911,692)	(42,911,692)
San Diego Transit	78,085,401	23,146,993	46,945,114	-	-	(7,993,294)	(7,993,294)
San Diego Trolley	105,069,741	28,675,661	26,156,252	-	-	(50,237,828)	(50,237,828)
Other proprietary funds	976,307	979,036	-	-	-	2,729	2,729
Total business-type activities	<u>244,673,515</u>	<u>70,183,914</u>	<u>73,349,516</u>	<u>-</u>	<u>-</u>	<u>(101,140,085)</u>	<u>(101,140,085)</u>
Total primary government	<u>\$ 348,340,595</u>	<u>\$ 70,183,914</u>	<u>\$ 197,367,627</u>	<u>\$ 31,727,904</u>	<u>52,078,935</u>	<u>(101,140,085)</u>	<u>(49,061,150)</u>
General revenues:							
Interest income					6,966,330	-	6,966,330
Indirect cost recovery					1,685,026	-	1,685,026
Capital contributions - other					895,826	22,117,191	23,013,017
Transfers of capital assets - MTS					(483,169,381)	483,169,381	-
Transfers					(36,412,020)	36,412,020	-
Total general revenues, capital contributions, and transfers					<u>(510,034,219)</u>	<u>541,698,592</u>	<u>31,664,373</u>
Change in net assets					<u>(457,955,284)</u>	<u>440,558,507</u>	<u>(17,396,777)</u>
Net assets, beginning of year as restated (see Note 15)					<u>605,783,238</u>	<u>659,922,988</u>	<u>1,265,706,226</u>
Net assets, end of year					<u>\$ 147,827,954</u>	<u>\$1,100,481,495</u>	<u>\$1,248,309,449</u>

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Balance Sheet and Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

Governmental Funds

June 30, 2006

Assets	Major Funds					Total Governmental Funds
	General Fund	Subsidy Pass- Through Fund	TransNet Fund	Capital Projects Fund	Debt Service Fund	
Cash and cash equivalents	\$ 382,932	\$ 399,405	\$ -	\$ -	\$ -	\$ 782,337
Investments	35	-	475,763	-	-	475,798
Cash and certificates of deposit restricted for capital support	-	-	-	6,187,781	-	6,187,781
Accounts and other receivables	646,494	41,104	901	1,345	43,563	733,407
Accounts receivable from other governments	59,916	29,313,673	-	9,411,500	-	38,785,089
Due from other funds	12,182,831	2,300,138	21,252,143	-	34,066,335	69,801,447
Prepaid items and other assets	2,387,183	-	-	-	-	2,387,183
Investments restricted for debt service	-	-	-	-	144,519,137	144,519,137
Total assets	<u>\$ 15,659,391</u>	<u>\$ 32,054,320</u>	<u>\$ 21,728,807</u>	<u>\$ 15,600,626</u>	<u>\$ 178,629,035</u>	<u>\$ 263,672,179</u>

See accompanying notes to basic financial statements.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Balance Sheet and Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets
Governmental Funds
June 30, 2006

Liabilities and fund balances	Major Funds					Total Governmental Funds
	General Fund	Subsidy Pass- Through Fund	TransNet Fund	Capital Projects Fund	Debt Service Fund	
Liabilities						
Accounts payable	\$ 1,674,471	\$ 34	\$ -	\$ 1,312,296	\$ -	\$ 2,986,801
Accrued liabilities	303,007	-	-	-	-	303,007
Retentions payable	-	-	-	6,305,454	-	6,305,454
Due to other funds	12,500,014	10,969,702	-	42,813,924	-	66,283,640
Deferred revenue	191,352	-	2,041,952	2,836,725	223,085	5,293,114
Total liabilities	<u>14,668,844</u>	<u>10,969,736</u>	<u>2,041,952</u>	<u>53,268,399</u>	<u>223,085</u>	<u>81,172,016</u>
Fund balances:						
Reserved for:						
Debt service	-	-	-	-	178,405,950	178,405,950
Taxicab Administration	-	10,899	-	-	-	10,899
Unreserved:						
Designated in General Fund	990,547	-	-	-	-	990,547
Designated in Special Revenue Funds	-	4,257,689	19,686,855	-	-	23,944,544
Undesignated in Special Revenue Funds	-	16,815,996	-	-	-	16,815,996
Undesignated in Capital Projects Fund	-	-	-	(37,667,773)	-	(37,667,773)
Total fund balances	<u>990,547</u>	<u>21,084,584</u>	<u>19,686,855</u>	<u>(37,667,773)</u>	<u>178,405,950</u>	<u>182,500,163</u>
Total liabilities and fund balances	<u>\$ 15,659,391</u>	<u>\$ 32,054,320</u>	<u>\$ 21,728,807</u>	<u>\$ 15,600,626</u>	<u>\$ 178,629,035</u>	<u>\$ 263,672,179</u>

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

Fund balances - total governmental funds	\$ 182,500,163
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	154,290,529
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	665,622
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds	(189,628,360)
Net assets of governmental activities	<u>\$ 147,827,954</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	<u>General Fund</u>	<u>Subsidy Pass- Through Fund</u>	<u>TransNet Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:						
Federal funds	\$ -	\$ 37,803,640	\$ -	\$ 11,466,427	\$ -	\$ 49,270,067
Local TDA funds	-	76,086,231	-	-	-	76,086,231
STA funds	-	6,572,986	-	-	-	6,572,986
State funds	-	287,447	-	562,122	-	849,569
TransNet Funds	-	-	19,674,588	-	-	19,674,588
Other local subsidies	-	2,085,657	-	10,652	-	2,096,309
Other funds	1,182,150	-	-	14,115	-	1,196,265
Interest income	4,613	744,422	17,351	-	6,199,944	6,966,330
Indirect cost recovery	1,685,026	-	-	-	-	1,685,026
Total revenues	<u>2,871,789</u>	<u>123,580,383</u>	<u>19,691,939</u>	<u>12,053,316</u>	<u>6,199,944</u>	<u>164,397,371</u>
Expenditures:						
Current:						
General government:						
Personnel	10,827,530	-	-	-	-	10,827,530
Outside services	2,533,966	-	-	-	-	2,533,966
Allocated overhead	(6,946,173)	-	-	-	-	(6,946,173)
Materials and supplies	11,056	-	-	-	-	11,056
Energy	62,347	-	-	-	-	62,347
Insurance	523,828	-	-	-	-	523,828
General and administrative	493,433	-	9,703	2,752	66,805	572,693
Vehicle/facility lease	180,424	-	-	-	-	180,424
Interest	221,813	-	-	-	-	221,813
Transit operations funding	-	85,352,004	-	-	-	85,352,004
Debt service:						
Principal	-	-	-	-	14,493,119	14,493,119
Interest	-	-	-	-	8,113,899	8,113,899
Capital outlay:						
LRT extensions	-	-	-	10,462,914	-	10,462,914
Major LRT capital improvements	-	-	-	1,647,386	-	1,647,386
Major Bus capital improvements	-	-	-	4,515,558	-	4,515,558
Operations capital	-	-	-	703,831	-	703,831
Total expenditures	<u>7,908,224</u>	<u>85,352,004</u>	<u>9,703</u>	<u>17,332,441</u>	<u>22,673,823</u>	<u>133,276,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,036,435)</u>	<u>38,228,379</u>	<u>19,682,236</u>	<u>(5,279,125)</u>	<u>(16,473,879)</u>	<u>31,121,176</u>
Other financing sources (uses):						
Transfers in	6,552,291	19,674,588	22,665,277	-	11,908,908	60,801,064
Transfers out	(846,165)	(54,027,054)	(19,674,588)	(22,665,277)	-	(97,213,084)
Total other financing sources (uses)	<u>5,706,126</u>	<u>(34,352,466)</u>	<u>2,990,689</u>	<u>(22,665,277)</u>	<u>11,908,908</u>	<u>(36,412,020)</u>
Net change in fund balances	669,691	3,875,913	22,672,925	(27,944,402)	(4,564,971)	(5,290,844)
Fund balances, beginning of year as restated (see Note 15)	320,856	17,208,671	(2,986,070)	(9,723,371)	182,970,921	187,791,007
Fund balances, end of year	<u>\$ 990,547</u>	<u>\$ 21,084,584</u>	<u>\$ 19,686,855</u>	<u>\$ (37,667,773)</u>	<u>\$ 178,405,950</u>	<u>\$ 182,500,163</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Governmental Funds Fund Balances
to the Government-Wide Statement of Activities
Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ (5,290,844)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

16,095,036

Transfer of capital projects including Mission Valley East and other miscellaneous projects	(483,169,381)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

14,470,907

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(61,002)

Change in net assets of governmental activities

\$ (457,955,284)

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PROPRIETARY FUND FINANCIAL STATEMENTS

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SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Statement of Net Assets
Proprietary Funds
June 30, 2006

Assets	Business-Type Activities				
		Major funds		Non-major funds	Totals
	Other Contracted Services	San Diego Transit Corporation	San Diego Trolley Incorporated		
Current assets:					
Cash and cash equivalents	\$ -	\$ 4,425,883	\$ 2,474,083	\$ 24,860	\$ 6,924,826
Accounts and other receivables	65,736	4,544,622	1,071,795	-	5,682,153
Accounts receivable from other governments	2,494,352	-	-	-	2,494,352
Due from other funds	3,482,332	3,063,413	4,065,135	515,163	11,126,043
Materials and supplies inventory	-	2,152,630	4,677,611	-	6,830,241
Prepaid expenses and other current assets	-	49,614	2,657	59,087	111,358
Total current assets	6,042,420	14,236,162	12,291,281	599,110	33,168,973
Noncurrent assets:					
Capital assets (net of accumulated depreciation)	34,433,350	68,587,437	1,030,734,888	486,964	1,134,242,639
Unamortized bond issuance cost	-	1,120,006	-	-	1,120,006
Net pension asset	-	67,635,638	-	-	67,635,638
Total noncurrent assets	34,433,350	137,343,081	1,030,734,888	486,964	1,202,998,283
Total assets	40,475,770	151,579,243	1,043,026,169	1,086,074	1,236,167,256
Liabilities					
Current liabilities:					
Accounts payable	4,730,062	2,729,900	927,496	39,994	8,427,452
Accrued expenses	-	2,600,483	2,588,193	-	5,188,676
Retentions payable	10,000	-	-	-	10,000
Due to other funds	12,862	5,608,145	8,880,824	142,019	14,643,850
Compensated absences payable, due within one year	-	4,125,197	2,361,798	-	6,486,995
Accrued damage, injury, and employee claims due within one year	-	2,083,262	652,935	-	2,736,197
Long-term debt, due within one year	-	1,455,000	-	-	1,455,000
Unearned revenue	1,107,162	-	-	-	1,107,162
Total current liabilities	5,860,086	18,601,987	15,411,246	182,013	40,055,332
Noncurrent liabilities:					
Compensated absences payable, due in more than one year	-	4,882,626	-	-	4,882,626
Accrued damage, injury, and employee claims, due within one year	-	12,823,738	3,304,065	-	16,127,803
Long-term debt, due in more than one year	-	74,620,000	-	-	74,620,000
Total noncurrent liabilities	-	92,326,364	3,304,065	-	95,630,429
Total liabilities	5,860,086	110,928,351	18,715,311	182,013	135,685,761
Net Assets					
Invested in capital assets, net of related debt	34,433,350	68,587,437	1,030,734,888	486,964	1,134,242,639
Unrestricted	182,334	(27,936,545)	(6,424,030)	417,097	(33,761,144)
Total net assets	\$ 34,615,684	\$ 40,650,892	\$1,024,310,858	\$ 904,061	\$1,100,481,495

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2006

	Business-Type Activities				
	Major funds				
	Other Contracted Services	San Diego Transit Corporation	San Diego Trolley Incorporated	Non-major funds	Totals
Operating revenues:					
Passenger revenue	\$ 17,382,224	\$ 22,263,739	\$ 27,933,766	\$ -	\$ 67,579,729
Advertising	-	764,224	-	74,439	838,663
Charter	-	30,940	-	-	30,940
Misc operating revenue	-	88,090	741,895	904,597	1,734,582
Total operating revenues	17,382,224	23,146,993	28,675,661	979,036	70,183,914
Operating expenses:					
Personnel costs	591,160	48,594,596	29,055,215	-	78,240,971
Outside services	44,780,498	1,605,510	8,789,239	-	55,175,247
Allocated overhead	803,464	3,182,101	2,704,860	-	6,690,425
Materials and supplies	621,367	4,060,923	3,464,448	-	8,146,738
Energy	7,349,170	8,397,223	8,496,047	-	24,242,440
Risk management	67,487	2,214,674	2,272,079	-	4,554,240
General & administrative	125,596	192,380	232,711	934,440	1,485,127
Vehicle/facility leases	48,353	49,393	-	-	97,746
Amortization of net pension asset	-	1,415,000	-	-	1,415,000
Depreciation	6,154,971	8,373,601	50,055,142	41,867	64,625,581
Total operating expenses	60,542,066	78,085,401	105,069,741	976,307	244,673,515
Operating income (loss)	(43,159,842)	(54,938,408)	(76,394,080)	2,729	(174,489,601)
Public support and nonoperating revenues:					
Federal revenue	-	15,000,000	12,787,588	-	27,787,588
Transportation Development Act (TDA) funds	-	18,131,664	6,592,144	-	24,723,808
State Transit Assistance (STA) funds	-	5,283,210	823,132	-	6,106,342
State revenue - other	137,375	-	-	-	137,375
TransNet funds	-	13,104,889	6,000,000	-	19,104,889
Other local subsidies	455,476	278,001	-	-	733,477
Investment income	-	129,054	-	-	129,054
Interest expense	-	(3,385,151)	-	-	(3,385,151)
Debt service costs	-	(135,087)	-	-	(135,087)
Amortization of bond issuance costs	-	(52,365)	-	-	(52,365)
Gain/(loss) on disposal of assets	(344,701)	(1,409,101)	(46,612)	-	(1,800,414)
Total public support and nonoperating revenues	248,150	46,945,114	26,156,252	-	73,349,516
Income (loss) before transfers and capital contributions	(42,911,692)	(7,993,294)	(50,237,828)	2,729	(101,140,085)
Transfer of capital assets	3,693,951	704,024	500,888,597	-	505,286,572
Transfers in	36,412,020	-	-	-	36,412,020
Change in net assets	(2,805,721)	(7,289,270)	450,650,769	2,729	440,558,507
Net assets, beginning of year as restated (see Note 15)	37,421,405	47,940,162	573,660,089	901,332	659,922,988
Net assets, end of year	\$ 34,615,684	\$ 40,650,892	\$ 1,024,310,858	\$ 904,061	\$ 1,100,481,495

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006

Business-Type Activities

	Major funds			Non-major funds	Totals
	Other Contracted Services	San Diego Transit Corporation	San Diego Trolley Incorporated		
Cash flows from operating activities:					
Receipts from customers and users	\$ 18,494,721	\$ 25,952,463	\$ 28,633,352	\$ 788,110	\$ 73,868,646
Payments to suppliers	(54,908,432)	(20,485,825)	(23,570,853)	(788,225)	(99,753,335)
Payments to employees	(591,160)	(49,845,277)	(27,911,264)	-	(78,347,701)
Payments for damage, injury, and employee claims	-	(2,657,691)	(2,509,687)	-	(5,167,378)
Net cash (used) by operating activities	(37,004,871)	(47,036,330)	(25,358,452)	(115)	(109,399,768)
Cash flows from noncapital financing activities:					
Transfers in	36,412,020	-	-	-	36,412,020
Public support funds received	592,851	48,418,803	26,915,959	-	75,927,613
Net cash provided by noncapital financing activities	37,004,871	48,418,803	26,915,959	-	112,339,633
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	-	40,404	-	-	40,404
Net cash provided by capital and related financing activities	-	40,404	-	-	40,404
Cash flows from investing activities:					
Interest received on investments	-	129,054	-	-	129,054
Net increase (decrease) in cash and cash equivalents	-	1,551,931	1,557,507	(115)	3,109,323
Cash and cash equivalents, beginning of year	-	2,873,952	916,576	24,975	3,815,503
Cash and cash equivalents, end of year	\$ -	\$ 4,425,883	\$ 2,474,083	\$ 24,860	\$ 6,924,826
Operating income (loss)	\$ (43,159,842)	\$ (54,938,408)	\$ (76,394,080)	\$ 2,729	\$ (174,489,601)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	6,154,971	8,373,601	50,055,142	41,867	64,625,581
Prior period adjustment	-	704,362	-	-	704,362
(Increase) decrease in:					
Accounts and other receivables	1,549,332	2,805,470	(42,309)	(190,926)	4,121,567
Due from other funds	1,443,551	-	-	-	1,443,551
Materials and supplies inventory	-	22,066	324,009	-	346,075
Prepaid expenses	-	(8,394)	(2,657)	-	(11,051)
Increase (decrease) in:					
Accounts payable	(1,112,497)	(1,340,030)	936,704	(664)	(1,516,487)
Accrued expenses	-	(97,866)	(371,335)	-	(469,201)
Compensated absences payable	-	(967,131)	(818,433)	146,879	(1,638,685)
Accrued damage, injury, and employee claims	-	(1,590,000)	306,773	-	(1,283,227)
Deferred revenue	(1,880,386)	-	647,734	-	(1,232,652)
Total adjustments	6,154,971	7,902,078	51,035,628	(2,844)	65,089,833
Net cash provided (used) by operating activities	\$ (37,004,871)	\$ (47,036,330)	\$ (25,358,452)	\$ (115)	\$ (109,399,768)

Supplemental noncash disclosures:

During the year \$500,888,597, \$704,024, and \$3,693,951 in capital assets were contributed by MTS and SANDAG to SDTI, SDTC and Other Contracted Services, respectively.

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NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the San Diego Metropolitan Transit System (MTS) have been prepared in conformity with generally accepted accounting principles in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of MTS' accounting policies are described below.

(a) Reporting Entity

MTS (formerly San Diego Metropolitan Transit Development Board) was formed on January 26, 1976 by passage of California Senate Bill 101 to plan, construct, and operate (or let contracts to operate) exclusive public mass transit guideways in the urbanized south coastal area of San Diego County. MTS has certain responsibilities for near-term transportation planning and administration of federal and state transportation funds within the area under its jurisdiction. The board of directors of MTS consists of 15 members composed of four appointees from the San Diego City Council, one appointee from each City Council of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee, and one appointee from the San Diego County Board of Supervisors and a chairman elected by the other 14 members.

On January 1, 2003, Senate Bill 1703 (SB 1703) became effective. SB 1703 required the consolidation of the planning and programming functions of the MTS and the North San Diego County Transit Development Board (NCTD) into the San Diego Association of Governments (SANDAG) in an initial transfer to take place prior to July 1, 2003. SB 1703 also required the consolidation of the project development and construction functions of MTS and NCTD into SANDAG in a subsequent transfer to take place prior to January 30, 2004. The initial transfer occurred on July 1, 2003, and the subsequent transfer occurred on October 13, 2003. With these actions, employees were transferred from MTS and NCTD to SANDAG, and certain planning, development, and construction functions were also transferred. As a result, MTS' activities in the future will be focused on operating the public transit system in the metropolitan area. In addition to the consolidation required by SB 1703, MTS dissolved the board of directors of San Diego Transit Corporation (SDTC) and board of directors of San Diego Trolley, Inc. (SDTI). MTS now acts in that capacity for all three agencies, MTS, SDTC, and SDTI. Beginning in FY 2004, SDTC and SDTI are presented as blended component units.

As required by GAAP, these basic financial statements present MTS and its legally separate component units, entities for which MTS is considered to be financially accountable. GASB Statement No. 14, *The Financial Reporting Entity*, discusses the criteria used to determine the reporting status of the primary government's component units. Because MTS appoints a majority of the component units' boards of directors, the boards are substantively the same, and MTS is able to impose its will on the component units, MTS presents blended component units. Blended component units, although legally separate entities, are, in substance, part of MTS' operations.

Included within the reporting entity as blended component units:

San Diego Transit Corporation: On July 1, 1985, MTS purchased the assets used by and acquired sole ownership of San Diego Transit Corporation (SDTC) from the City of San Diego for \$1. SDTC has entered into an operating agreement with MTS to operate a public transportation bus system in the City of San Diego and certain regional routes within MTS' jurisdictions. MTS' approval of the agreement extension is scheduled for December, 2006. SDTC continues to provide local service to a number of

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

adjoining cities under pre-existing contracts. Purchases or construction of bus capital items are made by MTS with whom title remains, and are contributed to SDTC upon completion of a project or when individually purchased by MTS. SDTC's assets, liabilities, net assets, revenues, and expenses are included in MTS' financial statements as a blended component unit. This agency has the same governing board as MTS and provides services directly to the public. Individual financial statements can be obtained from SDTC's administrative offices at 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

San Diego Trolley, Inc.: San Diego Trolley, Inc. (SDTI) was organized by MTS in August 1980. SDTI was created to operate and maintain the Light Rail Transit (LRT) system pursuant to an operating agreement with MTS. MTS' approval of the agreement extension is scheduled for December, 2006. Purchases or construction of LRT capital items are made by MTS with whom title remains, and are contributed to SDTI upon completion of a project or when individually purchased by MTS. SDTI's assets, liabilities, net assets, revenues, and expenses are included in MTS' financial statements as a blended component unit. This agency has the same governing board as MTS and provides services directly to the public. Individual financial statements can be obtained from SDTI's administrative offices at 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

San Diego and Arizona Eastern Railway Company: MTS purchased the San Diego and Arizona Eastern Railway Company (SD&AE) in 1979. SDTI operates on a portion of the line and a private operator provides freight service on a portion of the line. Purchases of capital items are made by MTS with whom title remains, and are contributed to SD&AE when purchased by MTS. SD&AE's assets, liabilities, net assets, revenues, and expenses are included in MTS' financial statements as a blended component unit. This agency has a separate governing board, which is appointed by MTS. Separate financial statements are not available.

(b) *Government-Wide and Fund Financial Statements*

The Government-Wide Financial Statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. Interfund activity, except for transfers and interfund receivables and payables, has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and individual proprietary funds are reported as separate columns in the fund financial statements.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(c) ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The Government-Wide Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met.

Governmental Fund Financial Statements are reported using the “*current financial resources*” measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues, as listed below, are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by MTS.

MTS receives funding primarily from the following revenue sources:

Fare Revenue

Passenger fares make up approximately 30 percent of the system’s \$240 million operating budget.

Other Operating Revenues

MTS receives a variety of operating revenues that are not received directly from passenger fares. The sources of these revenues are advertising, interest income, rental and land management income, income related to Taxicab administration, income from the SD&AE, and other miscellaneous income.

Non Operating Revenues

MTS receives subsidies that are derived from federal, state and local tax revenues. MTS does not levy or collect any tax funds, but receives allocated portions of tax funds through federal, state and local granting agencies.

Federal Transit Administration (FTA)

FTA revenues are funded by a federal gas tax and revenues of the federal general fund. MTS receives Section 5307 grants which are earmarked for capital assistance and preventive maintenance, and Congestion Management and Air Quality (CMAQ) funds intended to subsidize the first three years’ operations of trolley line extensions.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

Transportation Development Act (TDA)

TDA provides funding for public transit operators. This state fund is one quarter of a percent of the 7 $\frac{3}{4}$ percent sales tax assessed in the region. SANDAG is responsible for apportionment of these funds within the San Diego region.

State Transit Assistance (STA)

STA funding comes from the Public Transportation Act (PTA) which derives its revenue from the state sales tax on gasoline. These funds are designated as discretionary or formula. The former is appropriated by the legislature. The latter is a formula based upon population and fares generated.

Other State Revenue

Caltrans provides mitigation related funding for the Sorrento Valley and Poway areas.

MediCal provides further funding support specifically tied to several ADA Paratransit routes to aid patients in their transportation to medical appointments.

TransNet

TransNet funds are derived from the Proposition A one-half cent local transportation sales tax which was approved by area voters in November 1987. The ordinance, which was scheduled to expire in 2008, has been extended an additional forty years. The ordinance allocated one-third of the sales tax proceeds for transit purposes, which are further divided between MTS and North County Transit District (NCTD) based on the proportion of the population with the area of each jurisdiction. TransNet funds are also apportioned by SANDAG.

Other Local Subsidies

The City of San Diego provides Maintenance of Effort funds to aid ADA efforts.

SANDAG provides funding from Fasttrack tolls to operate the I-15 Inland Breeze services.

The Air Pollution Control District (APCD) provides support for the Sorrento Valley Coaster Connection.

MTS reports the following major governmental funds:

The General Fund is MTS' primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from FTA and local TDA funds. Expenditures are primarily expended for functions of the general government, transit planning, and transit support activities including marketing.

The special revenue Subsidy Pass-Through Fund accounts for the activities and the subsidy resources collected on behalf of and passed through to the component units. This fund also accounts for the fund balance reserves maintained for capital replacement and other purposes. Revenues are primarily derived from FTA, STA, and local TDA funds. Expenditures are primarily these federal, state, and local funds being passed through to component units and other transit operators.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

The special revenue TransNet Fund accounts for the activities and resources received pursuant to the one-half cent local sales tax. These revenues are transferred to other funds, which are expended for rail capital, reduced-price monthly transit passes for seniors, the disabled, and youth, and subsidizing any reduction in federal and state operating funds. Remaining monies can be expended for service expansion and extensions.

The Capital Projects Fund accounts for the resources and the activities of MTS to provide for Light Rail Transit (LRT) extensions, major LRT/Bus capital improvements, and operations capital/replacement. Revenues are primarily derived from FTA and state capital grants and other local income for transit capital funding. Expenditures are expended for capital outlay including LRT extensions, major LRT capital improvements, major bus capital improvements, and operations capital.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on the long-term general obligation debt of MTS. Revenues are derived from interest earned on the restricted cash, cash equivalents, and investments accumulated for the payment of the debt service. Expenditures are payments for the debt service.

MTS reports the following major proprietary funds:

The Other Contracted Services Fund is an enterprise fund used to account for the operation of certain bus routes that have been competitively bid and are operated by MTS through contracts with outside parties. Revenues are primarily derived from passenger fare revenue and federal, state, and local operating grants. Expenses are primarily payments to contracted bus operators for the operation of certain bus routes. Effective July 1, 2002, the responsibility for operating the County Transit System (CTS) was transferred from the County of San Diego to MTS.

SDTI and SDTC are not-for-profit corporations that provide bus and LRT services. These agencies share governing boards with MTS and are, therefore, presented as blended component units in the Business-type activities section of the Statement of Net Assets and the Statement of Activities.

MTS reports the Taxicab Administration fund and SD&AE combined as nonmajor proprietary funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

In the current year MTS has changed the manner of reporting subsidy revenue and transfers among funds. All subsidies for operations, excluding TransNet receipts, are now recorded as revenues only in the Subsidy Pass-through Fund, and are then transferred to other funds as appropriate. This has increased revenue in the Subsidy Pass-through Fund and increased transfer activity in other funds. TransNet funds are recorded as revenue in the TransNet Fund, and are then transferred to other funds as appropriate. Comparisons with prior year activity show offsetting variances in revenue and transfer line items. There has been no change in the manner of recording subsidies related to capital projects.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are lending/borrowing of pooled cash between the proprietary funds and various other functions of the government. Elimination of this lending/borrowing would distort the assets for governmental activities and business-type activities in the statement of net assets.

Proprietary funds are accounted for on the flow of "*economic resources*" measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include enterprise funds, which are used to account for those operations that are financed and operated in a manner similar to private business or where MTS has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of SDTI, SDTC and Other Contracted Services Enterprise Fund are charges to customers for public transportation services. The principal operating revenues of the Taxicab Administration Enterprise Fund, a non-major enterprise fund, are charges for the issuance of taxi and jitney service permits. The principal operating revenues for SD&AE, also reported as a non-major enterprise fund, are lease income and right of entry permit fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) *Use of Restricted/Unrestricted Net Assets*

When both restricted and unrestricted resources are available for use, it is MTS' policy to use restricted resources first, then unrestricted resources as they are needed.

(e) *Budgets*

Annual appropriated budgets are adopted for all governmental fund types. All annual appropriations lapse at year-end. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and may be re-appropriated in the following year.

(f) *Cash, Cash Equivalents, and Investments*

Investments of pooled cash consist primarily of bankers' acceptances, certificates of deposit, pooled investment funds, liquidity funds, governmental bonds, and commercial paper. Investments are stated at fair value which is based on quoted market price. Money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value.

For purposes of the statement of cash flows, all highly liquid temporary investments purchased with a maturity of three months or less are considered cash equivalents.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value.

MTS participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and assets-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

(g) *Interfund Transactions*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances." Transfers between funds relate to allocations of subsidy revenue from special revenue funds to other funds.

(h) *Materials and Supplies Inventory*

Business-Type inventories are valued at the weighted average unit cost. The costs of governmental fund type inventories are recorded as expenditures when purchased.

(i) *Prepaid Items and Other Assets*

Payments made to vendors for services that will benefit periods beyond June 30, 2006 are recorded as prepaid items in both government-wide and fund financial statements.

(j) *Capital Assets*

Capital assets, which include land and right-of-way, buildings and infrastructure assets, vehicles, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements. Legal title of all SDTC property and equipment was transferred from the City of San Diego to MTS effective with MTS' purchase of SDTC on July 1, 1985. SDTC has recorded these assets at net book value in order to reflect SDTC's custodial accountability for the assets. Legal title of all County Transit System (CTS) property and equipment was transferred from the County of San Diego to MTS effective with MTS' acquisition of CTS on July 1, 2002. MTS has recorded these assets at net book value.

Under the operating agreements between MTS and SDTC and SDTI, SDTC and SDTI are required to pay a license fee to MTS for the use of certain capital assets. Due to SDTC's and SDTI's continued shortage of operating funds sufficient to cover recurring expenditures, the payment of these fees is considered remote, and therefore, these amounts were not recorded in the accompanying basic financial statements.

Buildings, vehicles, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 to 40
Vehicles	5 to 30
Equipment	3 to 20

(k) Construction-in-Progress

Costs incurred for construction associated with the bus and LRT systems are expended in the governmental fund types of MTS and capitalized as construction-in-progress in the government-wide financial statements until such time as they are complete and operational. Upon completion, they are contributed to SDTC and SDTI to reflect their custodial accountability for the assets. Depreciation commences at the time of contribution. Assets acquired through capital leases are capitalized in the government-wide financial statements.

(l) Net Pension Assets

A pension asset is created when an employer pays into a retirement plan amounts in excess of its annual required contribution (ARC). The ARC is an actuarially calculated amount that is sufficient to fund future costs and extinguish any existing unfunded actuarial accrued liability (UAAL). In October 2004, MTS made a payment of \$76,282,336 to SDTC Retirement Plan from the proceeds of the issuance of pension obligation bonds, of which \$69,050,638 was to reduce SDTC's UAAL as calculated at that time. The prepaid Net Pension Asset will be amortized over the life of the bonds on a straight line basis.

(m) Compensated Absences

It is MTS' policy to permit employees to accumulate earned but unused personal leave time, which includes both vacation and sick pay benefits. All personal leave time is accrued when incurred in the government-wide and proprietary fund type financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(n) Long-Term Obligations

In the Government-Wide Financial Statements and in the Proprietary Fund Financial Statements, long-term obligations are reported as liabilities in the applicable statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(o) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources.

(p) Refunding of Debt

Gains or losses occurring from advance refunding of debt of the governmental funds have been deferred and are being amortized into expense using the straight-line method over the original remaining life of the old debt or the life of the new debt, whichever is less.

(q) Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from these estimates.

(r) Implementation of New GASB Pronouncements

In fiscal year 2006 MTS adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section* – an amendment of NCGA Statement 1 (issued 5/04)
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*
- GASB Statement No. 47, *Accounting for Termination Benefits*

GASB Statement No. 44 amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, which guide the preparation of the statistical section. The Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by Statement 34. MTS has elected to adopt GASB Statement No. 44 prospectively, and will present information for fiscal years 2006 and 2005.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

GASB Statement No. 46 addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.

GASB Statement No. 47 provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

(2) Reconciliation of Government-Wide and Fund Financial Statements

(a) *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets*

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.” The details of this \$665,622 difference are as follows:

Prepaid interest	\$ 99,690
Deferred issuance costs	<u>565,932</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 665,622</u>

Another element of that reconciliation explains that “long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(189,628,360) difference are as follows:

Compensated absences payable	\$ (637,200)
Accrued damage, injury, and employee claims	(8,276,503)
Long-term debt	(180,281,339)
Premium of debt payable	<u>(433,318)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets - governmental activities	<u>\$ (189,628,360)</u>

(b) *Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities*

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, “governmental funds report capital outlays as expenditures. However, in the

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

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statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$16,095,036 difference are as follows:

Contributed capital - SANDAG	\$ 895,826
Transit capital funding expense	17,374,447
Depreciation expense	<u>(2,175,237)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets – governmental activities	<u>\$ 16,095,036</u>

Another element of that reconciliation states that, “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$14,470,907 difference are as follows:

Interest expense	\$ 147,496
Principal repayment	14,493,119
Amortization expense – bond issuance costs	<u>(169,708)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets – governmental activities	<u>\$ 14,470,907</u>

Another element of that reconciliation states that, “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$(61,002) difference are as follows:

Compensated absences	\$ (98,002)
Damage, injury, and employee claims	<u>37,000</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets – governmental activities	<u>\$ (61,002)</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(3) Cash, Cash Equivalents, and Investments

A summary of cash and investments at June 30, 2006, was as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 782,337	\$ 6,924,826	\$ 7,707,163
Investments	475,798	-	475,798
Cash and certificates of deposit restricted for capital support	6,187,781	-	6,187,781
Investments restricted for debt service	144,519,137	-	144,519,137
Total cash and investments	<u>\$ 151,965,053</u>	<u>\$ 6,924,826</u>	<u>\$ 158,889,879</u>

Cash, cash equivalents, and investments consisted as follows on June 30, 2006:

<u>Investment type</u>	<u>Fair value</u>
Cash and equivalents:	
Demand deposits	\$ 7,303,626
Retention Trust Account	6,187,781
State of California - Local Agency Investment Fund	<u>403,536</u>
Total cash and cash equivalents	<u>\$ 13,894,943</u>
Investments:	
Money Market	13,911,852
U.S. Treasuries	24,911,858
U.S. Agencies	17,603,636
Bank Investment Contract	<u>88,567,590</u>
Total investments	<u>\$ 144,994,936</u>
Total cash, cash equivalents, and investments	<u>\$ 158,889,879</u>

At year end the carrying amount of demand deposits was \$13,491,407 and the bank balance was \$17,400,318, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in MTS' name as discussed below.

MTS follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

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Investments

Under the provisions of MTS' investment policy and in accordance with California Government Code, MTS is authorized to invest or deposit in the following:

- Securities of the U.S. Government, its agencies and instrumentalities
- Obligations of the State of California or any local agency within the state rated A or higher by Standard and Poor's Corporation or Moody's Investor Services, Inc.
- Repurchase agreements
- Bankers' acceptances
- Commercial paper rated A or higher by Standard and Poor's Corporation or Moody's Investor Services, Inc.
- Medium-term corporate notes rated A or higher by Standard and Poor's Corporation or Moody's Investor Services, Inc.
- Negotiable certificates of deposit
- Local Agency Investment Fund (LAIF) established by the State Treasurer
- San Diego County Pooled Money Fund
- Passbook savings or money market demand deposits with an FDIC, SIPC, or SAIF insured financial institution

Local Agency Investment Funds

MTS' investments with Local Agency Investment Fund (LAIF) at June 30, 2006, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- ♦ Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- ♦ Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2006, MTS had \$403,536 invested in LAIF which had invested 2.567% of the pool investment funds in Structured Notes and Asset-Backed Securities.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, MTS' investment policy limits investments to a maximum of five years unless otherwise approved by the Board. The investment instruments with maturities beyond five years are held for scheduled repayment of long-term debt. Maturities are scheduled to permit MTS to meet all projected obligations.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

Credit Risk

MTS' investment policy limits investments in commercial paper and negotiable certificates of deposit to instruments rated A or better by Standard and Poor's or Moody's Investor Services, Inc. MTS' investments are rated by the nationally recognized statistical rating organizations as follows:

	<u>Moody's</u>	<u>Standard and Poor's</u>
Investment Pool		
State of California Local Agency Investment Fund	Not rated	Not rated
Money Market Account		
Highmark Money Market Account	AAA	AAA
Bank of New York	Not rated	Not rated
Government Obligations		
FHLMC	AAA	AAA
FNMA	AAA	AAA
US Government Securities		
U.S. Treasury Notes	AAA	AAA
U.S. Treasury Bonds	AAA	AAA
Resolution Funding Corporation Bonds	Not Rated	Not Rated
Investment Contract		
Rabobank Investment Contract	Not Rated	Not Rated

Concentration of Credit Risk

The investment policy limits the amount of the percentage of the portfolio that can be invested by the type of investment for certain types of investments. MTS is in compliance with investment type percentages of the total portfolio of the investment policy.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the broker or dealer to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code requires California banks and savings and loan associations to secure the MTS' cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in MTS' name.

The market value of pledged securities must equal at least 110% of the MTS' cash deposits. California law also allows institutions to secure MTS deposits by pledging first trust deed mortgage notes having a value of 150% of the MTS' total cash deposits. MTS may waive collateral requirements for cash deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. MTS, however, has not waived the collateralization requirements

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

Summary of investments to Maturity

Investments held by MTS grouped by maturity date at June 30, 2006, are shown below:

<u>Maturity</u>	
Current to one year	\$ 27,986,126
One to two years	3,529,362
Two to five years	-
Five to ten years	24,911,858
Ten to twenty years	<u>88,567,590</u>
Total	<u>\$ 144,994,936</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(4) Interfund Transactions

Due to and from other funds

MTS receives operating and capital assistance from federal, state, and local sources for the benefit of SDTC and SDTI. These funds are recorded as revenue in a special revenue fund and reported as expenditures when transferred to SDTC and SDTI. Expenses incurred for the benefit of other funds are recorded as interfund receivables and payables. Interfund receivable and payable balances, including amounts due from and to component units, at June 30, 2006 were as follows:

	Due from							
	General Fund	Subsidy Pass-Through Fund	Capital Projects Fund	Other Contracted Services	SDTC	SDTI	SD&AE	Total
Due to								
General Fund	\$ -	\$ -	\$ -	\$ -	\$3,302,007	\$ 8,880,824	\$ -	\$ 12,182,831
Subsidy Pass-Through Fund	-	-	-	-	2,300,138	-	-	2,300,138
TransNet	12,236,969	4,128,945	4,886,229	-	-	-	-	21,252,143
Contract Services	-	-	3,476,332	-	6,000	-	-	3,482,332
Taxicab Administration	-	-	515,163	-	-	-	-	515,163
Debt Service	-	-	33,924,316	-	-	-	142,019	34,066,335
SDTC	253,062	2,805,511	-	4,840	-	-	-	3,063,413
SDTI	9,983	4,035,246	11,884	8,022	-	-	-	4,065,135
Total	\$ 12,500,014	\$ 10,969,702	\$ 42,813,924	\$ 12,862	\$ 5,608,145	\$ 8,880,824	\$ 142,019	\$ 80,927,490

Transfers In and Out

MTS receives operating and capital assistance from federal, state, and local sources for the benefit of other governmental funds. In FY 2006 MTS recorded all subsidy revenue in the Subsidy Pass-Through Fund and then transferred to other funds, including transfers totaling \$36,412,020 recorded in the Contracted Services fund.

	Transfers out				
	General Fund	Subsidy Pass-Through Fund	TransNet Fund	Capital Projects Fund	Total
Transfer in					
General Fund	\$ -	\$ 6,552,291	\$ -	\$ -	\$ 6,552,291
Subsidy Pass-Through Fund	-	-	19,674,588	-	19,674,588
TransNet Fund	-	-	-	22,665,277	22,665,277
Debt Service Fund	846,165	11,062,743	-	-	11,908,908
Total primary government	846,165	17,615,034	19,674,588	22,665,277	60,801,064
Contracted Services Fund	-	36,412,020	-	-	36,412,020
Total business-type activities	-	36,412,020	-	-	36,412,020
Net transfers	\$ 846,165	\$ 54,027,054	\$ 19,674,588	\$ 22,665,277	\$ 97,213,084

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(5) Capital Assets

MTS adopted GASB Statement No. 42, *Accounting and Financial Reporting of Impairment of Capital Assets and Insurance Recoveries*, in FY 2005, which has no impact on current year reporting.

A. Governmental Activities

A summary of changes in capital assets for governmental activities is as follows:

	Balance, July 1, 2005	Additions	Deletions	Balance, June 30, 2006
Capital assets, not depreciated:				
Land and right-of-way	\$ 21,957,196	\$ -	\$ -	\$ 21,957,196
Construction-in-progress	583,345,851	22,774,804	(486,645,497)	119,475,158
Total capital assets, not depreciated	605,303,047	22,774,804	(486,645,497)	141,432,354
Capital assets, depreciated:				
Buildings and structures	1,440,430	4,062,269	-	5,502,699
Non revenue vehicles	246,428	-	(30,026)	216,402
Equipment and other	294,688	-	-	294,688
Office equipment and furniture	1,319,147	651,636	(1,018,726)	952,057
Capital lease building	12,091,981	-	-	12,091,981
Computer equipment	4,302,865	-	-	4,302,865
Misc operations capital	-	36,921	-	36,921
Total capital assets, depreciated	19,695,539	4,750,826	(1,048,752)	23,397,613
Less accumulated depreciation for:				
Buildings and structures	(273,574)	(570,391)	-	(843,965)
Non-revenue vehicles	(202,398)	(27,090)	30,026	(199,462)
Equipment and other	(28,248)	(98,229)	-	(126,477)
Office equipment and furniture	(1,177,221)	(139,591)	985,690	(331,122)
Capital lease building	(6,234,927)	(377,874)	-	(6,612,801)
Computer equipment	(1,463,549)	(960,011)	-	(2,423,560)
Misc operations capital	-	(2,051)	-	(2,051)
Total accumulated depreciation	(9,379,917)	(2,175,237)	1,015,716	(10,539,438)
Total capital assets, depreciated, net	10,315,622	2,575,589	(33,036)	12,858,175
Governmental activities capital assets, net	\$ 615,618,669	\$ 25,350,393	\$ (486,678,533)	\$ 154,290,529

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2006 was \$2,175,237. MTS allocated the entire depreciation expense to general government. Disposals of construction-in-progress assets include \$480,822,600 for the Mission Valley East project, which was completed in July 2005.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

B. Business-Type Activities

A summary of changes in capital assets for Business-Type Activities is as follows:

	Balance, July 1, 2005	Additions	Deletions	Balance, June 30, 2006
Capital assets, not depreciated				
Land and right-of-way	\$ 167,054,480	\$ -	\$ -	\$ 167,054,480
Capital assets, depreciated:				
Buildings and structures	653,017,715	499,373,457	(695,130)	1,151,696,042
Vehicles and buses	342,317,021	5,759,347	(13,448,400)	334,627,968
Equipment and other	21,352,164	153,820	(4,432,302)	17,073,682
Total capital assets, depreciated	1,016,686,900	505,286,624	(18,575,832)	1,503,397,692
Less accumulated depreciation for:				
Buildings and structures	(320,753,661)	(43,503,373)	695,130	(363,561,904)
Vehicles and buses	(151,364,289)	(20,206,428)	12,100,662	(159,470,055)
Equipment and other	(16,137,408)	(915,780)	3,875,613	(13,177,575)
Total accumulated depreciation	(488,255,358)	(64,625,581)	16,671,406	(536,209,533)
Total capital assets, depreciated, net	528,431,542	440,661,043	(1,904,426)	967,188,159
Business-Type Activities – capital assets, net	\$ 695,486,022	\$ 440,661,043	\$ (1,904,426)	\$ 1,134,242,639

Depreciation expense in Business-Type Activities for capital assets for the year ended June 30, 2006 is composed of the following:

Other Contracted Services	\$ 6,154,971
San Diego Transit Corporation	8,373,601
San Diego Trolley Inc.	50,055,142
Taxicab Administration	22,367
SD&AE	19,500
Total	<u>\$ 64,625,581</u>

Capital asset additions totaling \$505,286,624 were contributed by MTS, SANDAG, and others. The largest portion of the contribution is \$480,822,600 for the completed Mission Valley East project.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

C. Construction Commitments

Construction-in-progress is comprised of the following at June 30, 2006:

	Expended through June 30, 2006	Contractually Committed
Mission Valley E.	\$ 11,889,192	\$ 11,391,353
SYITC	27,497,243	1,684,481
Orange Line-Blue Line Connection	850,824	54,655
12th & Market Station Retrofit	8,838,438	694,750
12th Avenue Corridor Improvements	545,622	303,009
Regional Misc Oper Capital	4,752	82,150
Replace senior/disabled lift	3,631	-
Mills Building Rehab	47,723	23,147
Organizational desktops	42,551	14,162
Network Servers	48,532	10,816
LRV Body Rehab	498,842	1,027
CCTV Surveillance Equip	36,660	6,000
LRV Tires	10,130	348,469
San Ysidro Surveillance	8,583	16,000
MCS ADA Small Vehicles	17,776	4,511,461
Total MTS managed projects	50,340,499	19,141,480
Automated Fare Collection	31,174,775	-
SDTC Radio System Replacement	12,654,361	-
I-15 Bus Rapid Transit	11,315,478	-
SBMF Expansion	3,553,037	-
IAD Land Expansion	3,465,985	-
East County Bus Maintenance Facility	3,268,019	-
Nobel Drive Coaster Station Improvements	1,076,909	-
Gaslamp Station Improvements	537,775	-
Other projects	2,088,320	-
Total SANDAG managed projects	69,134,659	-
Total construction-in-progress	\$ 119,475,158	\$ 19,141,480

Additional costs related to the Mission Valley East project remain in Construction in Progress. These costs relate to accrued liabilities and other expenses that are in process, and for which the total costs are not estimable at this time.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(6) Net Pension Asset

In August 2004, MTS issued the 2004 Taxable Pension Obligation Bonds to fund 85% of the SDTC's unfunded accrued actuarial liability (UAAL) and the normal cost reimbursement for the fiscal year 2006. As a result, the Pension Obligation Bonds of \$77,490,000 were sold and \$76,282,336 was deposited into the pension plan in October 2004. Of this amount \$7,231,698 was funded for the current year contribution and \$69,050,638 was funded for prior year unfunded accrued actuarial liability.

As of June 30, 2006, the Net Pension Asset amounted to \$67,635,638. Current year amortization was \$1,415,000.

(7) Revenue Anticipation Notes

In January 2005, MTS issued revenue anticipation notes totaling \$13,161,676 to provide for operating cash need in FY 2005. The notes were general obligations of MTS and were payable from taxes, cash receipts, and other moneys of MTS. The notes paid interest at 2.0 % and were retired in January, 2006. Short-term activity for the year ended June 30, 2006 is summarized below.

	Balance at July 1, 2005	Proceeds	Repayment	Balance at June 30, 2006
Revenue Anticipation Notes	<u>\$ 13,161,676</u>	<u>\$ -</u>	<u>\$ (13,161,676)</u>	<u>\$ -</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(8) Long-Term Debt

A. Governmental Activities

The following is a summary of changes in long-term obligations for governmental activities for the year ended June 30, 2006:

	Balance at July 1, 2005	Additions and net increases	Reductions and net decreases	Balance at June 30, 2006	Amounts due within one year	Amounts due in more than one year
Governmental Activities:						
Long-term Debt						
Capitalized lease obligations	\$ 8,940,118	\$ 345,847	\$ (449,942)	\$ 8,836,023	\$ 504,986	\$ 8,331,037
Finance obligation	185,488,489	-	(14,043,173)	171,445,316	20,997,490	150,447,826
Deferred amounts for issuance premium	522,411	-	(89,093)	433,318	-	433,318
Total Long-term debt	194,951,018	345,847	(14,582,208)	180,714,657	21,502,476	159,212,181
Compensated absences payable	539,198	98,002	-	637,200	299,484	337,716
Accrued damage, injury, and employee claims	2,913,150	5,412,769	(49,416)	8,276,503	202,000	8,074,503
Governmental Activities long-term debt	<u>\$ 198,403,366</u>	<u>\$ 5,856,618</u>	<u>\$ (14,631,624)</u>	<u>\$ 189,628,360</u>	<u>\$ 22,003,960</u>	<u>\$ 167,624,400</u>

For governmental activities, compensated absences and damage claims liabilities are liquidated by the General Fund.

Capital Leases

The County of San Diego (the County) has a master lease agreement with the MTS Joint Powers Agency (Agency) for the lease of the MTS Tower building. MTS entered into a sublease agreement with the County for a portion (27.61%) of the MTS Tower building. The sublease is classified as a capital lease because 27.61% of the title transfers to MTS at the end of the County's master lease. The master lease terminates on November 1, 2086; however, the County has the option to terminate the agreement on November 1, 2041 and each tenth anniversary thereafter.

In February 2006, MTS entered into a lease agreement with Toshiba America Information Systems for the acquisition of telecommunications equipment. The lease is classified as a capital lease because title will transfer to MTS when the lease terminates in January 2011.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

The assets acquired through capital leases are as follows:

	Governmental Activities
Building – MTS Tower	\$ 12,091,981
Toshiba telecommunications equipment	345,848
Less accumulated depreciation	<u>(6,635,858)</u>
Total	<u><u>\$ 5,801,971</u></u>

The following is a summary of future minimum payments under capital leases as of June 30, 2006

	Tower lease payments	Toshiba equipment lease payments	Total lease payments
Year ending June 30:			
2007	\$ 847,778	\$ 76,820	\$ 924,597
2008	847,750	76,820	924,570
2009	847,005	76,820	923,824
2010	843,070	76,820	919,890
2011	864,123	44,811	908,934
2012-2016	4,209,799	0	4,209,799
2017-2020	<u>3,379,830</u>	<u>0</u>	<u>3,379,830</u>
Total minimum lease payments	11,839,355	352,090	12,191,445
Less amount representing interest	<u>(3,323,050)</u>	<u>(32,371)</u>	<u>(3,355,421)</u>
Present value of minimum lease payments	<u><u>\$ 8,516,304</u></u>	<u><u>\$ 319,719</u></u>	<u><u>\$ 8,836,023</u></u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

Finance Obligations

The following is a summary of changes in finance obligations for the year ended June 30, 2006:

	Balance at July 1, 2005	Additions and net increases	Reductions and net decreases	Balance at June 30, 2006	Amounts due within one year	Amounts due in more than one year
1990 LRV Sale/Leaseback	\$ 15,878,727	\$ -	\$ (2,703,929)	\$ 13,174,798	\$ 9,351,404	\$ 3,823,394
1995 LRV Lease/Leaseback	125,774,762	-	(999,244)	124,775,518	1,076,086	123,699,432
2002 San Diego Regional Transit Management System Project	10,985,000	-	(3,555,000)	7,430,000	3,660,000	3,770,000
2003 Regional Fare Collection Project	32,850,000	-	(6,785,000)	26,065,000	6,910,000	19,155,000
Total Finance Obligations	<u>\$ 185,488,489</u>	<u>\$ -</u>	<u>\$ (14,043,173)</u>	<u>\$ 171,445,316</u>	<u>\$ 20,997,490</u>	<u>\$ 150,447,826</u>

1990 LRV Sale/Leaseback – In fiscal year 1990, MTS entered into an agreement to sell 41 light rail vehicles (LRVs) and simultaneously entered into a lease agreement with the purchaser to lease them back. MTS received proceeds of approximately \$52.3 million, of which it used approximately \$46.4 million to prepay future lease payments. This prepayment amount covered lease payments into 2006. MTS invested \$3,680,449 of the proceeds into government zero-coupon bonds. These bonds mature at values sufficient to cover all remaining lease payments due under the lease agreement as well as amounts necessary to exercise the repurchase options. On June 30, 1990, MTS exercised its option to repurchase the vehicles. As of June 30, 2006, the remaining future obligations total \$13,174,798.

	Principal	Interest	Total
Year ending June 30:			
2007	\$ 9,351,404	\$ -	\$ 9,351,404
2008	3,823,394	-	3,823,394
	<u>\$ 13,174,798</u>	<u>\$ -</u>	<u>\$ 13,174,798</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

1995 LRV Lease/Leaseback – In fiscal year 1996, MTS entered into a master lease to lease 52 light rail vehicles to an investor and then simultaneously entered into a sublease agreement to lease them back. MTS received prepayments of the master lease from the investor of approximately \$102.7 million, of which it used approximately \$90.7 million to place two investments which will be used to make the interest and principal payments on the finance obligation. MTS placed \$78.8 million in a fixed rate deposit and invested \$11.9 million in government zero-coupon bonds. The interest earned on the deposit, together with the principal amount of the deposit and the maturities of the zero-coupon bonds are sufficient to cover the amounts due under the finance obligation. As of June 30, 2006, the remaining future obligations total \$124,775,518.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 1,076,086	\$ 6,518,871	\$ 7,594,957
2008	1,158,836	6,432,956	7,591,792
2009	1,247,951	6,340,434	7,588,385
2010	1,343,918	6,240,797	7,584,715
2011	1,447,266	6,133,498	7,580,764
2012-2016	47,901,208	28,920,703	76,821,911
2017-2021	28,117,251	22,278,934	50,396,185
2022-2026	42,483,002	7,153,620	49,636,622
	<u>\$ 124,775,518</u>	<u>\$ 90,019,813</u>	<u>\$ 214,795,331</u>

For the above lease transactions, MTS is obligated to insure and maintain the equipment. The lease agreements also provide for MTS' right to continued use and control of the equipment. For the 1990 LRV sale/leaseback and the 1995 LRV lease/leaseback, MTS also has agreed to indemnify the lessor from any taxes imposed by United States taxing authorities.

The LRVs acquired under the various finance obligations have been transferred to and are recorded by SDTI.

2002 San Diego Regional Transit Management System Project – In fiscal year 2003, MTS issued \$17,485,000 of Certificates of Participation (COP) for governmental activities through the California Transit Finance Corporation for the purpose of financing a regional transit radio communications project. The COPs pay interest at rates ranging from 2 to 3 % and mature on December 1, 2007. As of June 30, 2006, the outstanding balance is \$7,430,000.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$3,660,000	\$168,000	\$3,828,000
2008	3,770,000	56,550	3,826,550
	<u>\$7,430,000</u>	<u>\$224,550</u>	<u>\$7,654,550</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

2003 Regional Fare Collection Project - In fiscal year 2004, MTS issued \$32,850,000 of Certificates of Participation (COP) for governmental activities through the California Transit Finance Corporation for the purpose of financing a regional fare collection project. The COPs pay interest at rates ranging from 2 to 3.3 % and mature on November 1, 2009. As of June 30, 2006, the outstanding balance is \$26,065,000.

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,910,000	\$ 632,180	\$ 7,542,180
2008	6,545,000	477,813	7,022,813
2009	6,710,000	295,350	7,005,350
2010	5,900,000	97,350	5,997,350
	<u>\$ 26,065,000</u>	<u>\$ 1,502,693</u>	<u>\$ 27,567,693</u>

B. Business-Type Activities

The following is summary of long-term debt for the Business-Type Activities for the year ended June 30, 2006

	<u>Balance at at July 1, 2005</u>	<u>Additions and net increases</u>	<u>Reductions and net decreases</u>	<u>Balance at June 30, 2006</u>	<u>Amounts due within one year</u>	<u>Amounts due in more than one year</u>
San Diego Transit Corporation						
Pension Obligation	\$ 77,490,000	\$ -	\$ (1,415,000)	\$ 76,075,000	\$ 1,455,000	\$ 74,620,000
Bonds						
Compensated absences payable	9,974,954	-	(967,131)	9,007,823	4,125,197	4,882,626
Accrued damage, injury and employee claims	16,497,000	-	(1,590,000)	14,907,000	2,083,262	12,823,738
San Diego Transit Corporation long-term debt	<u>\$ 103,961,954</u>	<u>\$ -</u>	<u>\$ (3,972,131)</u>	<u>\$ 99,989,823</u>	<u>\$ 7,663,459</u>	<u>\$ 92,326,364</u>
San Diego Trolley, Inc.						
Compensated absences payable	\$ 2,321,724	\$ 40,074	\$ -	\$ 2,361,798	\$ 2,361,798	\$ -
Accrued damage, injury and employee claims	3,861,000	96,000	-	3,957,000	652,935	3,304,065
San Diego Trolley, Inc; long-term debt	<u>\$ 6,182,724</u>	<u>\$ 136,074</u>	<u>\$ -</u>	<u>\$ 6,318,798</u>	<u>\$ 3,014,733</u>	<u>\$ 3,304,065</u>
Total	<u>\$ 110,144,678</u>	<u>\$ 136,074</u>	<u>\$ (3,972,131)</u>	<u>\$ 106,308,621</u>	<u>\$ 10,678,192</u>	<u>\$ 95,630,429</u>
Reconciliation to Statement of Net Assets						
Bonds payable	\$ 77,490,000	\$ -	\$ (1,415,000)	\$ 76,075,000	\$ 1,455,000	\$ 74,620,000
Compensated absences	12,296,678	40,074	(967,131)	11,369,621	6,486,995	4,882,626
Accrued damage, injury, and employee claims	20,358,000	96,000	(1,590,000)	18,864,000	2,736,197	16,127,803
Business-Type Activities long-term debt	<u>\$ 110,144,678</u>	<u>\$ 136,074</u>	<u>\$ (3,972,131)</u>	<u>\$ 106,308,621</u>	<u>\$ 10,678,192</u>	<u>\$ 95,630,429</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

Pension Obligation Bonds

In October 2004, MTS issued \$77,490,000 of Taxable Pension Obligation Bonds (POBs) for the benefit of SDTC. The purpose of the bonds was to make contributions to the San Diego Transit Corporation Retirement Plan and reduce its unfunded liability. This is in essence a hedge versus the assumed investment rate of 8% used by the actuary to determine the Actuarial Accrued Liability. The proceeds less fees were invested into the retirement plan. The bonds are consisted of the following:

Series A Bonds of \$38,690,000 are fixed rate bonds that mature in annual installments between 2006 and 2014 and bear an interest rate from 2.58% to 5.15% increasing progressively over the maturities. Interest is due and payable semi-annually on June 1 and December 1. Principal is due and payable on December 1.

Series B Bonds of \$38,800,000 are variable rate bonds that mature in annual installments between 2024 to 2034. Interest is adjusted on a weekly basis indexed to London Interbank Borrowing Rate (Libor) and payable on a monthly basis. In August 2005, MTS entered into a seven year agreement with UBS investment bank to fix the interest at 4.424%. Under this agreement SDTC pays the variable Libor rate and UBS pays or bills for the difference from the fixed 4.424% rate.

At June 30, 2006, the outstanding balance of the Pension Obligation Bonds is \$76,075,000.

Year ending June 30:	Principal	Interest	Total
2007	\$ 1,455,000	\$ 3,412,447	\$ 4,867,447
2008	1,500,000	3,366,020	4,866,020
2009	1,555,000	3,313,432	4,868,432
2010	1,615,000	3,254,351	4,869,351
2011	1,685,000	3,188,891	4,873,891
2012-2016	9,605,000	14,632,537	24,237,537
2017-2021	12,195,000	12,004,384	24,199,384
2022-2026	15,665,000	8,542,122	24,207,122
2027-2031	19,900,000	4,608,933	24,508,933
2032-2034	10,900,000	584,536	11,484,536
	<u>\$ 76,075,000</u>	<u>\$ 56,907,653</u>	<u>\$ 132,982,653</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(9) Risk Management

MTS (including SDTI, SDTC, SD&AE, Taxicab Administration and Other Contracted Services) are self-insured for liability claims under a combined insurance program to a maximum of \$2,000,000 per occurrence. Amounts in excess of the self-insurance retention limits for public liability are covered by excess insurance by MTS through commercial insurance carriers up to \$75,000,000. MTS, SDTI, and SDTC purchase all-risk (excluding earthquake) insurance coverage for property damage up to \$600,000,000 per occurrence with deductibles ranging from \$25,000 to \$100,000, depending on the peril involved. In addition, MTS, SDTC, and SDTI are self-insured for costs arising from employee workers' compensation act benefit claims including employer's liability to a retained limit of \$1,000,000 per occurrence. Amounts in excess of \$1,000,000 are insured up to \$2,000,000 per occurrence. SDTC and MTS are self-insured for unemployment claims. SDTC and SDTI have policies for crime coverage through commercial insurance.

Claims expenditures and liabilities in connection with these self-insurance programs are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported based upon past experience, modified for current trends and information. Claim payments up to \$2,000,000 per incident were recorded as general and administrative expenses in the statements of revenues, expenses, and changes in net assets. Claim payments did not exceed insurance coverage in any of the past three years.

<u>Fiscal year</u>	<u>Beginning of fiscal year</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of fiscal year liability</u>
MTS:				
2003 - 2004	\$ 13,885,205	\$ 11,724,554	\$ (4,870,648)	\$ 20,739,111
2004 - 2005	20,739,111	7,090,185	(4,558,146)	23,271,150
2005 - 2006	23,271,150	6,692,772	(2,823,419)	27,140,503

Following is summary of accrued damage injury, and employee claims for Governmental Activities and Business-Type Activities for fiscal year 2004-2006:

<u>Accrued damage, injury, and employee claims</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current portion	\$ 202,000	\$ 2,736,197	\$ 2,938,197
Non-current portion	8,074,503	16,127,803	24,202,306
Total	<u>\$ 8,276,503</u>	<u>\$ 18,864,000</u>	<u>\$ 27,140,503</u>

MTS has established a policy to consolidate the minimum balances required in the liability claims reserve accounts of SDTC and SDTI to be held by MTS. The policy also established eligible uses for the MTS reserve account, which included the reimbursement to SDTC and SDTI of awards/settlements of individual liability claims for personal injury and/or property damage in excess of \$300,000, but within the self-insurance retention at SDTC and SDTI. In connection with these self-insurance programs, liabilities for SDTC, SDTI and MTS were \$27,140,503 and June 30, 2006.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

At June 30, 2006, The Board designated \$2,000,000 for the purposes of funding the future claims liabilities of MTS, SDTI, and SDTC. As a result, \$990,547 of the General Fund balance and \$1,009,453 of the Subsidy-Pass Through Fund are designated for payment of future claims liabilities.

(10) Contingencies

MTS, SDTC, and SDTI have been named in certain legal actions pending at June 30, 2006. While the outcome of these lawsuits is not presently determinable, in the opinion of management of MTS, SDTC, and SDTI, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of MTS, SDTC, or SDTI or is adequately covered by insurance. In addition, MTS has been named in a number of claims related to various construction projects. While the outcome of these claims is not presently determinable, MTS has recorded an estimated liability to reserve for a potential loss of \$8,000,000.

Grant funds received by MTS are subject to audit and adjustment by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grant. The management of MTS believes that such disallowances, if any, will not be significant.

Federal arbitrage regulations require analysis of bonds more than five years old. Pursuant to these requirements, MTS will perform arbitrage analysis of its bonds in FY 2007. Management has determined that MTS' liability related to arbitrage, if any, is not material and has not recorded a liability in the current year.

During 1990 and 1995, MTS entered into sale/leaseback and lease/leaseback arrangements related to the acquisition of 52 trolley cars. This agreement provided tax benefits for the purchaser/lessor. Certain terms of the agreements call for repayment to the purchaser/lessor if the tax consequences of the agreement are lost or changed due to changes in the Internal Revenue Code. The amount of repayment is essentially the portion of the proceeds relating to the tax benefits lost by the purchaser/lessor. Subsequent changes in Internal Revenue Code may cause an amount to be repaid to the purchaser/lessor. No repayment has been requested to date, and the amount of any future request is not estimable at this time.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(11) Reserves

The reservations of fund balances of MTS' governmental funds at June 30, 2006 consist of:

	<u>Reserved</u>	<u>Designated</u>	<u>Undesignated</u>	<u>Total fund balance</u>
Major Governmental Funds:				
General Fund				
Insurance	\$ -	\$ 990,547	\$ -	\$ 990,547
Subsidy Pass-Through Special Revenue Fund:				
Billboard – San Diego	-	249,866	-	249,866
Billboard – Chula Vista	-	672,769	-	672,769
CCDC	-	922,692	-	922,692
Contingency	-	-	16,413,218	16,413,218
Insurance	-	1,009,453	-	1,009,453
Land management	-	-	402,778	402,778
MTS Building	-	493,988	-	493,988
SD&AE	-	908,921	-	908,921
Taxicab Administration capital replacement	10,899	-	-	10,899
TransNet Fund	-	19,686,855	-	19,686,855
Capital Projects Fund	-	-	(37,667,773)	(37,667,773)
Debt Service Fund	178,405,950	-	-	178,405,950
	<u>\$ 178,416,849</u>	<u>\$ 24,935,091</u>	<u>\$ (20,851,777)</u>	<u>\$ 182,500,163</u>

Board policy requires a minimum funding level of \$2,000,000 in the insurance reserve. When this reserve falls below the minimum funding level, Board policy requires replenishment in the following budget cycle.

(12) Post-Employment Health Care Benefits

In 1992, pursuant to requirements of the state retirement system in which MTS participates, MTS adopted a policy to provide post-retirement health care benefits to all retired employees through the California Public Employees Retirement System. Contributions range from \$123 to \$230 monthly per employee, depending upon the number of dependents insured, and increase at an annual rate of 5% of the monthly contribution for active employees. The expenditure is recorded when paid. Total payments for the year ended June 30, 2006 were \$18,155. There are eight retirees currently receiving post-employment health care benefits. SDTC provides post-retirement health care benefits to all retired employees through a self-insured program. Total payments for the year ended June 30, 2006 were \$256,959 for 48 retirees. SDTI, through a separate agreement with California Public Employees Retirement System, provides post-retirement health care benefits to all retired employees. Total payments for the year ended June 30, 2006 were \$29,224 for 15 retirees.

(13) Employee Retirement Systems

A. MTS and SDTI

Plan Description and Provisions

MTS' and SDTI's defined benefit pension plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plans are part of the

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

Public Agency portion of the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. MTS and SDTI select optional benefit provisions from the benefit menu by contract with PERS and adopt those benefits through local ordinance. Copies of the PERS annual financial report may be obtained from the PERS Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy

All employees working the equivalent of 1,000 hours per year are eligible to participate as members of PERS. MTS and SDTI employees are eligible to retire at age 50 with at least five years of service. Annual retirement benefits are determined based on age at retirement, the length of membership service, and the amount of earnings based on the highest 12 consecutive months average. PERS also provides death and disability benefits. PERS issues a separate comprehensive annual financial report.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. MTS and SDTI employees are required to make contributions equal to 7% of gross pay for employees who are not covered by Social Security and 7% of gross pay after the first \$133.33 per month for employees who pay Social Security tax. MTS and SDTI are required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. In 2006, MTS paid the entire employee contribution for all employees, and SDTI paid the entire employee contribution for management and supervisory employees who were hired before June 30, 1988. For management and supervisory employees hired after June 30, 1988, SDTI paid half the employee contribution until their third anniversary, after which SDTI pays their full contribution. Prior to January 1, 1992, SDTI paid half the employee contribution for non-managerial employees. As of January 1, 1992, the non-managerial employees pay the entire contribution.

Annual Pension Cost

For fiscal year 2006, MTS' and SDTI's annual required employer contributions were \$1,266,643 and \$2,313,877, respectively. The required contribution for fiscal year 2006 was determined as part of the June 30, 2004, actuarial valuation using the Entry Age Actuarial Cost Method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases from 3.25% to 14.45% depending on age, service, and type of employment; (c) 3.25% payroll growth adjustment; (d) 3.0% inflation adjustment; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the assets of both plans was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen-year period depending on the size of investment gains and/or losses. MTS' and SDTI's initial unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis depending on the plan's date of entry. Subsequent gains and losses are amortized over variable periods depending on the events precipitating the gain or loss. The average remaining amortization period at June 30, 2005, the most recent valuation date, was 15 years for MTS and 27 years for SDTI.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

Trend information for MTS (in 000s):

	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>
Fiscal year ended June 30:			
2004	\$ -	\$ -	100%
2005	653	653	100%
2006	1,267	1,267	100%

Trend information for SDTI (in 000s):

	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>
Fiscal year ended June 30:			
2004	\$ 727	\$ 727	100%
2005	2,015	2,015	100%
2006	2,314	2,314	100%

B. SDTC

Plan Description

The SDTC defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All of SDTC's full-time employees and certain part-time noncontract employees who have completed one year of service in which they have worked at least 1,000 hours of service, and certain part-time contract employees participate in the San Diego Transit Corporation Employee Retirement Plan (the Plan), a single-employer public employee retirement plan. SDTC issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report may be obtained by writing to San Diego Transit Corporation, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101

Funding Status and Progress

SDTC makes annual contributions equal to an actuarially computed amount that includes normal cost and an amount for the amortization of unfunded accrued liabilities. Participants of the Plan are not allowed to contribute to the Plan. The valuation method used to calculate the contribution for the Plan is the Entry Age Normal Actuarial Cost Method which is a projected benefit cost method.

According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of eligibility until retirement. The significant actuarial assumptions used to compute the actuarially determined contribution requirements included (a) 8.00% investment rate of return, (b) projected salary increase of 3.5% to 11% depending on age, service, and type of employment; (d) 3.5% inflation adjustment; and (e) cost of living adjustments up to 2% annually for certain Non-Contract members only. The actuarial value of the assets of the plan was determined using a

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

technique that smoothes the effect of short-term volatility in the market value of investments over a five-year period depending on the size of investment gains and/or losses. SDTC's initial unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. Subsequent gains and losses are amortized over variable periods depending on the events precipitating the gain or loss. The average remaining amortization period at January 1, 2006, the most recent valuation date, was 30 years.

Annual Pension Cost

For fiscal year ended June 30, 2006, the annual pension cost of \$3,825,590 for the pension plan was equal to SDTC's required and actual contributions. The required contribution was determined as part of the January 1, 2005 actuarial valuation using the entry age normal cost method. Following is the most recent data available.

Trend information for SDTC (in 000s):

	Annual Required Contribution (ARC)	Actual Contribution	Percentage of APC Contributed
Fiscal year ended June 30:			
2004	\$ 6,018	\$ 5,493	91%
2005	7,232	76,282	1055%
2006	3,826	3,826	100%

(14) Other Required Individual Fund Disclosures

SDTC and SDTI had unrestricted net deficits of \$(27,936,545) and \$(6,424,030) respectively, at June 30, 2006. The deficits are primarily a result of the timing difference between recognition of expenses on an accrual basis and when those expenses are funded by subsidy transfers. MTS expects that these deficits will be funded with future subsidies.

The Capital Projects Fund had a deficit fund balance of \$(37,667,773) which is results from recording bond proceeds, which were intended to provide funding for certain capital projects, in the Debt Service Fund rather than the Capital Projects Fund, and from timing differences between project expenses and receipt of subsidy funding for those projects.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

(15) Prior Period Adjustment

- A. In FY 2005 SDTC reported compensated absences at an amount higher than was vested and due to employees. In the current year SDTC has recorded a prior period adjustment in the amount of \$704,362.

	Beginning net assets as originally reported	Prior period adjustment to compensated absences	Beginning net assets as restated
Other contracted services fund	\$ 37,421,405	\$ -	\$ 37,421,405
San Diego Transit Corporation	47,235,800	704,362	47,940,162
San Diego Trolley, Inc.	573,660,089	-	573,660,089
Non-major proprietary funds	901,332	-	901,332
Total proprietary funds	<u>\$ 659,218,626</u>	<u>\$ 704,362</u>	<u>\$ 659,922,988</u>

- B. In FY 2006 MTS has recorded prior period adjustments totaling \$27,461,021 in governmental funds consisting of the following:

- (1) In FY 2005 MTS reported unearned revenue at an amount that was lower than the actual amount. In the current year MTS has recorded a prior period adjustment in the amount of \$461,021.
- (2) In FY 2004 MTS received an advance of funds from SANDAG in anticipation of receiving TransNet funds at a later date. These funds were recorded as revenue rather than as a liability. In the current year MTS has recorded a prior period adjustment in the amount of \$27,000,000.

	Beginning fund balance as originally reported	Prior period adjustments		Beginning fund balance as restated
		Unearned revenue	Advance payable	
General fund	\$ 320,856	\$ -	\$ -	\$ 320,856
Subsidy pass-through fund	17,208,671	-	-	17,208,671
TransNet fund	24,013,930	-	(27,000,000)	(2,986,070)
Capital projects fund	(9,544,162)	(179,209)	-	(9,723,371)
Debt service fund	183,252,733	(281,812)	-	182,970,921
Total changes to governmental funds	<u>\$ 215,252,028</u>	<u>\$ (461,021)</u>	<u>\$ (27,000,000)</u>	<u>\$ 187,791,007</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Notes to Basic Financial Statements

Year ended June 30, 2006

C. The combined effect of prior period adjustments as presented in the government-wide financial statements is summarized below:

	Beginning net assets as originally reported	Prior period adjustments	Beginning net assets as restated
Governmental activities	\$ 633,244,259	\$ (27,461,021)	\$ 605,783,238
Business-type activities	659,218,626	704,362	659,922,988
Total primary government	<u>\$ 1,292,462,885</u>	<u>\$ (26,756,659)</u>	<u>\$ 1,265,706,226</u>

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REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Required Supplementary Information

For the year ended June 30, 2006

1. BUDGETARY INFORMATION

Legal Compliance – Budgets

MTS' budgets are prepared on the modified accrual basis of accounting consistent with GAAP. The following are MTS' procedures in establishing the annual budget:

1. In June of each year, the Director of Finance and Administration submits to the board of directors a proposed operating and capital projects budget for the following fiscal year.
2. Public hearings are conducted to obtain comments.
3. The budget is legally enacted through passage of a resolution.

The General Manager is authorized to transfer budgeted amounts up to \$25,000 between line items without prior Board approval. However, all increases in the authorized budget and transfers of budgeted amounts greater than \$25,000 must be approved in advance by MTS' Board. Expenditures may not exceed budgeted appropriations at the line item level which are detailed by object (i.e., personnel, insurance, rent, etc.). MTS made supplemental budget appropriations during the year as follows:

General Fund	<u>\$ 646,667</u>
Subsidy Pass-Through Special Revenue Fund	<u>\$ (994,351)</u>

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other income	\$ 865,110	\$ 930,110	\$ 1,182,150	\$ 252,040
Interest income	-	-	4,613	4,613
Indirect cost recovery	-	-	1,685,026	1,685,026
Total revenues	<u>865,110</u>	<u>930,110</u>	<u>2,871,789</u>	<u>1,941,679</u>
Expenditures:				
Current:				
General government:				
Personnel	8,172,959	8,017,373	10,827,530	(2,810,157)
Outside services	3,128,763	3,298,225	2,533,966	764,259
Allocated overhead	(7,513,863)	(6,946,172)	(6,946,173)	1
Materials and supplies	46,500	43,500	11,056	32,444
Energy	153,124	172,224	62,347	109,877
Insurance	729,739	729,739	523,828	205,911
General and administrative	1,515,058	1,564,058	493,433	1,070,625
Vehicle/facility lease	830	830	180,424	(179,594)
Interest	-	-	221,813	(221,813)
Total expenditures	<u>6,233,110</u>	<u>6,879,777</u>	<u>7,908,224</u>	<u>(1,028,447)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,368,000)</u>	<u>(5,949,667)</u>	<u>(5,036,435)</u>	<u>913,232</u>
Other financing sources (uses):				
Transfers in	5,368,000	5,949,667	6,552,291	602,624
Transfers out	-	-	(846,165)	(846,165)
Total other financing sources and uses	<u>5,368,000</u>	<u>5,949,667</u>	<u>5,706,126</u>	<u>(243,541)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>669,691</u>	<u>\$ 669,691</u>
Fund balance, beginning of year			<u>320,856</u>	
Fund balance, end of year			<u>\$ 990,547</u>	

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Subsidy Pass-Through Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal funds	\$ 38,067,548	\$ 37,833,186	\$ 37,803,640	\$ (29,546)
Local TDA funds	73,839,362	74,403,478	76,086,231	1,682,753
STA funds	6,572,986	6,572,986	6,572,986	-
State funds	544,543	544,543	287,447	(257,096)
Other local subsidies	2,049,512	2,030,947	2,085,657	54,710
Interest income	-	-	744,422	744,422
Total revenues	<u>121,073,951</u>	<u>121,385,140</u>	<u>123,580,383</u>	<u>2,195,243</u>
Expenditures:				
Current:				
Transit operations funding	<u>86,215,271</u>	<u>85,220,920</u>	<u>85,352,004</u>	<u>(131,084)</u>
Total expenditures	<u>86,215,271</u>	<u>85,220,920</u>	<u>85,352,004</u>	<u>(131,084)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,858,680</u>	<u>36,164,220</u>	<u>38,228,379</u>	<u>2,064,159</u>
Other financing sources (uses):				
Transfers in	19,663,889	19,663,852	19,674,588	10,736
Transfers out	<u>(54,522,569)</u>	<u>(55,828,072)</u>	<u>(54,027,054)</u>	<u>1,801,018</u>
Total other financing sources and uses	<u>(34,858,680)</u>	<u>(36,164,220)</u>	<u>(34,352,466)</u>	<u>1,811,754</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,875,913</u>	<u>\$ 3,875,913</u>
Fund balance, beginning of year			<u>17,208,671</u>	
Fund balance, end of year			<u>\$ 21,084,584</u>	

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
TransNet Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
TransNet funds	\$ 19,663,889	\$ 19,663,852	\$ 19,674,588	\$ 10,736
Interest income	-	-	17,351	17,351
Total revenues	<u>19,663,889</u>	<u>19,663,852</u>	<u>19,691,939</u>	<u>28,087</u>
Expenditures:				
Current:				
General and administrative	-	-	9,703	-
Total expenditures	<u>-</u>	<u>-</u>	<u>9,703</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,663,889</u>	<u>19,663,852</u>	<u>19,682,236</u>	<u>28,087</u>
Other financing sources (uses):				
Transfers in	-	-	22,665,277	-
Transfers out	<u>(19,663,889)</u>	<u>(19,663,852)</u>	<u>(19,674,588)</u>	<u>(10,736)</u>
Total other financing sources and uses	<u>(19,663,889)</u>	<u>(19,663,852)</u>	<u>2,990,689</u>	<u>(10,736)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>22,672,925</u>	<u>\$ 17,351</u>
Fund balance, beginning of year, as restated (see Note 15)			<u>(2,986,070)</u>	
Fund balance, end of year			<u>\$ 19,686,855</u>	

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SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Required Supplementary Information

For the year ended June 30, 2006

DEFINED PENSION PLAN

Schedule of Funding Progress

The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. (Amounts in thousands of dollars).

MTS

<u>Valuation date</u>	<u>Actuarial value of assets</u>	<u>Entry age normal accrued liability</u>	<u>Unfunded liability</u>	<u>Funded status</u>	<u>Annual covered payroll</u>	<u>UAAL as a % of payroll</u>
6/30/03	456,062	515,421	59,359	88.5%	120,692	49.2%
6/30/04	580,961	681,517	100,556	85.2%	160,107	62.8%
6/30/05	729,557	872,347	142,790	83.6%	203,995	70.0%

Beginning with the 6/30/2003 valuation, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the Schedule of the Funding Progress for MTS is not available.

SDTI

<u>Valuation date</u>	<u>Actuarial value of assets</u>	<u>Entry age normal accrued liability</u>	<u>Unfunded liability</u>	<u>Funded status</u>	<u>Annual covered payroll</u>	<u>UAAL as a % of payroll</u>
6/30/03	32,694	37,235	4,541	87.8%	16,827	27.0%
6/30/04	35,905	41,695	5,790	86.1%	17,749	32.6%
6/30/05	41,415	48,698	7,283	85.0%	19,917	36.6%

SDTC

<u>Valuation date</u>	<u>Actuarial value of assets</u>	<u>Entry age normal accrued liability</u>	<u>Unfunded liability</u>	<u>Funded status</u>	<u>Annual covered payroll</u>	<u>UAAL as a % of payroll</u>
1/1/2004	78,667	132,307	53,640	59.5%	36,237	148.0%
1/1/2005	152,877	162,879	10,002	93.9%	34,859	28.7%
1/1/2006	153,083	168,877	15,794	90.6%	34,959	45.2%

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SUPPLEMENTARY INFORMATION

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Non-major Proprietary Funds
Combining Statement of Net Assets
June 30, 2006

Assets	Enterprise Funds		Totals
	Taxicab Administration	San Diego & Arizona Eastern Railway	
Current assets:			
Cash and cash equivalents	\$ -	\$ 24,860	\$ 24,860
Due from other funds	515,163	-	515,163
Prepaid expenses	-	59,087	59,087
Total current assets	515,163	83,947	599,110
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	55,049	431,915	486,964
Total noncurrent assets	55,049	431,915	486,964
Total assets	570,212	515,862	1,086,074
Liabilities			
Current liabilities:			
Accounts payable	7,512	32,482	39,994
Due to other funds	-	142,019	142,019
Total current liabilities	7,512	174,501	182,013
Total liabilities	7,512	174,501	182,013
Net Assets			
Invested in capital assets, net of related debt	55,049	431,915	486,964
Unrestricted	507,651	(90,554)	417,097
Total net assets	\$ 562,700	\$ 341,361	\$ 904,061

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Non-major Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2006

	Enterprise Funds		Totals
	Taxicab Administration	San Diego & Arizona Eastern Railway	
Operating revenues:			
Misc operating revenue	\$ 896,275	\$ 8,322	\$ 904,597
Advertising	-	74,439	74,439
Total operating revenues	896,275	82,761	979,036
Operating expenses:			
General & Administrative	707,738	226,702	934,440
Depreciation	22,367	19,500	41,867
Total operating expenses	730,105	246,202	976,307
Operating income (loss)	166,170	(163,441)	2,729
Net income (loss) before transfers and capital contributions	166,170	(163,441)	2,729
Change in net assets	166,170	(163,441)	2,729
Net assets, beginning of year	396,530	504,802	901,332
Net assets, end of year	\$ 562,700	\$ 341,361	\$ 904,061

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Non-major Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2006

	Enterprise Funds		Totals
	Taxicab Administration	San Diego & Arizona Eastern Railway	
Cash flows from operating activities:			
Receipts from customers and users	\$ 705,349	\$ 82,761	\$ 788,110
Payments to suppliers	(705,349)	(82,876)	(788,225)
Net cash provided (used) by operating activities	-	(115)	(115)
Net increase in cash and cash equivalents	-	(115)	(115)
Cash and cash equivalents, beginning of year	-	24,975	24,975
Cash and cash equivalents, end of year	\$ -	24,860	24,860
Operating income (loss)	\$ 166,170	(163,441)	2,729
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	22,367	19,500	41,867
(Increase) decrease in:			
Accounts and other receivables	(190,926)	-	(190,926)
Prepaid expenses	-	(664)	(664)
Increase (decrease) in:			
Accounts payable	2,389	144,490	146,879
Total adjustments	(166,170)	163,326	(2,844)
Net cash provided (used) by operating activities	\$ -	\$ (115)	\$ (115)

STATISTICAL SECTION

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SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Net Assets by Component
Last Two Fiscal Years
(accrual basis of accounting)

	Fiscal Year	
	2006	2005, as restated
Governmental activities		
Invested in capital assets, net of related debt	\$ 111,959,506	\$ 420,667,651
Unrestricted	35,868,448	185,115,587
Total governmental activities net assets	<u>\$ 147,827,954</u>	<u>\$ 605,783,238</u>
Business-type activities		
Invested in capital assets, net of related debt	\$ 1,134,242,639	\$ 695,486,022
Unrestricted	(33,761,144)	(35,563,034)
Total business-type activities net assets	<u>\$ 1,100,481,495</u>	<u>\$ 659,922,988</u>
Primary government		
Invested in capital assets, net of related debt	\$ 1,246,202,145	\$ 1,116,153,673
Unrestricted	2,107,304	149,552,553
Total primary government net assets	<u>\$ 1,248,309,449</u>	<u>\$ 1,265,706,226</u>

Offsetting changes in governmental activities and business-type activities net assets between 2005 and 2006 reflect the transfer of \$483 million in capital assets, including the Mission Valley East project valued at \$481 million, from MTS to SDTC and SDTI.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Changes in Net Assets
Last Two Fiscal Years
(accrual basis of accounting)

	Fiscal Year	
	2006	2005
Expenses:		
Governmental activities:		
General government	\$ 10,144,463	\$ 10,429,104
Transit operations funding	85,352,004	73,905,584
Transit capital funding	-	261,775
Misc office/other expense	34,502	-
Interest on long-term debt	8,136,111	8,669,729
Total governmental activities expenses	<u>103,667,080</u>	<u>93,266,192</u>
Business-type activities:		
Other Contracted Services	60,542,066	56,444,048
San Diego Transit	78,085,401	86,301,787
San Diego Trolley	105,069,741	81,963,639
Other proprietary funds	976,307	964,603
Total business-type activities expenses	<u>244,673,515</u>	<u>225,674,077</u>
Total primary government expenses	<u>348,340,595</u>	<u>318,940,269</u>
Program revenues:		
Governmental activities:		
Operating grants and contributions	124,018,111	86,270,079
Capital grants and contributions	31,727,904	83,084,460
Total governmental activities program revenues	<u>155,746,015</u>	<u>169,354,539</u>
Business-type activities:		
Charges for services	70,183,914	66,055,549
Operating grants and contributions	73,349,516	101,128,154
Total business-type activities program revenues	<u>143,533,430</u>	<u>167,183,703</u>
Total primary government program revenues	<u>299,279,445</u>	<u>336,538,242</u>
Net revenues (expenses):		
Governmental activities	52,078,935	76,088,347
Business-type activities	(101,140,085)	(58,490,374)
Total net revenues (expenses)	<u>(49,061,150)</u>	<u>17,597,973</u>
General revenues and other changes in net assets:		
Governmental activities:		
Interest income	6,966,330	11,638,987
Indirect cost recovery	1,685,026	2,827,481
Capital contributions - other	895,826	946,278
Transfers of capital assets - MTS	(483,169,381)	(21,679,153)
Transfers	(36,412,020)	(626,720)
Total governmental activities	<u>(510,034,219)</u>	<u>(6,893,127)</u>
Business-type activities:		
Capital contributions - other	22,117,191	29,061,061
Transfers of capital assets - MTS	483,169,381	21,679,153
Transfers	36,412,020	626,720
Total business-type activities	<u>541,698,592</u>	<u>51,366,934</u>
Total primary government	<u>31,664,373</u>	<u>44,473,807</u>
Changes in net assets:		
Governmental activities	(457,955,284)	69,195,220
Business-type activities	440,558,507	(7,123,440)
Total primary government	<u>\$ (17,396,777)</u>	<u>\$ 62,071,780</u>

Offsetting variances in operating grants and transfers are the result of a change in the manner of recording grant receipts in 2006.

The reduction in capital grants and contributions is related to the completion of the Mission Valley East project.

Business-type activities contributed capital assets includes the \$483 million contributed by MTS and \$22 million contributed by SANDAG and others. The \$483 contribution from MTS includes \$481 million for the completed Mission Valley East project.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Fund Balances of Governmental Funds

Last Two Fiscal Years

(modified accrual basis of accounting)

	2006	As restated 2005
General fund:		
Unreserved	\$ 990,547	\$ 320,856
Total general fund	<u>\$ 990,547</u>	<u>\$ 320,856</u>
 All other governmental funds		
Reserved	\$ 178,416,849	\$ 182,981,419
Unreserved, reported in:		
Special revenue funds	40,760,540	14,212,103
Capital projects fund	<u>(37,667,773)</u>	<u>(9,723,371)</u>
Total all other governmental funds	<u>\$ 181,509,616</u>	<u>\$ 187,470,151</u>

Offsetting changes in Special Revenue and Capital Projects funds are related to interfund transfers recorded in 2006.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Changes in Fund Balances of Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting)

	<u>2006</u>	<u>2005</u>
Revenues:		
Federal funds	\$ 49,270,067	\$ 109,231,192
Local TDA funds	76,086,231	36,790,082
STA funds	6,572,986	4,542,952
State funds	849,569	974,738
TransNet Funds	19,674,588	16,043,175
Other local subsidies	2,096,309	278,000
Other funds	1,196,265	1,494,400
Interest income	6,966,330	11,638,987
Indirect cost recovery	1,685,026	2,827,481
Total revenues	<u>164,397,371</u>	<u>183,821,007</u>
Expenditures:		
General government:	7,987,484	7,959,010
Transit support activities	85,352,004	73,905,584
Debt service:		
Principal	14,493,119	5,819,127
Interest	8,113,899	8,447,080
Capital outlay:	17,329,689	77,497,055
Total expenditures	<u>133,276,195</u>	<u>173,627,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,121,176</u>	<u>10,193,151</u>
Other financing sources (uses):		
Transfers in	60,801,064	22,172,167
Transfers out	(97,213,084)	(22,798,887)
Total other financing sources (uses)	<u>(36,412,020)</u>	<u>(626,720)</u>
Net change in fund balances	(5,290,844)	9,566,431
Fund balances, beginning of year	187,791,007	205,685,597
Prior period adjustments	-	(27,461,021)
Fund balances, as restated	<u>187,791,007</u>	<u>178,224,576</u>
Fund balances, end of year	<u>\$ 182,500,163</u>	<u>\$ 187,791,007</u>
Debt service as a percentage of noncapital expenditures	24.22%	17.43%

Reduction in Federal Funds reflects reduced capital funding associated with completion of the Mission Valley East project
Increase in TDA funds reflects a change in the method of recording revenue and transfers between funds

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Fare Structure

For the Fiscal Year Ended June 30, 2006

Bus Cash Fares

Local	\$	1.75
Urban		2.25
Express		2.50 - 4.00
Senior/Disabled		1.00
Airport Shuttle		2.25
Shuttles		1.00

Trolley Cash Fares

Downtown	1.25
1 Station	1.50
2 Stations	1.75
3 Stations	2.00
4-10 Stations	2.25
11-19 Stations	2.50
20+ Stations	3.00
Senior/Disabled	1.00

Bus and Trolley Monthly Passes

Local/Urban Bus/Express/Trolley	58.00
Express Bus (multi-zones)	64.00 - 84.00
Senior/Disabled Bus and Trolley	14.50
Youth Bus and Trolley	29.00

SOURCE:

Codified Ordinance No. 4, an ordinance establishing a Metropolitan Transit System fare pricing schedule, last amended January 15, 2004

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Component Units and Major Proprietary Fund

Farebox Recovery Percentage

Last Two Fiscal Years (in Percentages)

<u>Fiscal Year Ended</u>	<u>San Diego Transit Corporation</u>	<u>San Diego Trolley Inc.</u>	<u>MTDB Contract Services</u>
2005	27.34	54.25	31.97
2006	30.40	50.78	31.96

Source: Audited financial statements; calculated as passenger revenue (including monthly pass sales which are recorded as a transfer), divided by operating expenses.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Ratios of Outstanding Debt by Type
Last two Fiscal Years

Year ended June 30	Governmental Activities							Business-type Activities				
	Capital Lease - Tower	Capital Lease-Equipment	1990 LRV Sale/Leaseback	1995 LRV Lease/Leaseback	Certificates of Participation 2002	Certificates of Participation 2003	Total Governmental Activities	Pension Obligation Bonds	Total Business-type Activities	Total Primary Government	Percentage of Personal Income	Debt per Capita
2005	8,940,118	-	15,878,727	125,774,762	10,985,000	32,850,000	194,428,607	77,490,000	77,490,000	271,918,607	0.54%	126
2006	8,516,304	319,719	13,174,798	124,775,518	7,430,000	26,065,000	180,281,339	76,075,000	76,075,000	256,356,339	0.52%	117

Details regarding MTS' outstanding debt can be found in the notes to the financial statements.
ITS issued pension obligation bonds in FY 2005 to fund 85% of SDTC's unfunded pension liability

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Demographic and Economic Statistics

Last Two Fiscal Years

	MTS Service Area Population	MTS Personal Income (thousands)	Per Capita Personal Income	San Diego County Average Unemployment Rate
	(1)	(2)		(3)
2005	2,154,170	50,408,033	23,400	4.7%
2006	2,188,817	49,149,338	22,455	4.1%

(1) SOURCE: San Diego Association of Governments August 2006 estimate

(2) SOURCE: Extrapolation from San Diego Association of Governments August 2006 estimate
(personal income stated in 1999 dollars)

(3) SOURCE: California Employment Development Department, local area profile August 2006

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
Full-time and Part-time Employees by Function
Last Two Fiscal Years

Function	Full-time and Part-time Employees at June 30	
	2006	2005
General Government-MTS	90	73
San Diego Transit Corporation	880	927
San Diego Trolley, Inc	539	528
Total	1,509	1,528

The decrease in transit employees is related to expansion of bus routes assigned to Other Contracted Services

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Operating Indicators by Function

Last Two Fiscal Years

	2006	2005
Operating Cost:		
San Diego Transit	\$ 68,296,800	\$ 78,216,331
San Diego Trolley	55,014,599	47,661,707
MTDB Contract Services	54,387,095	51,815,445
Farebox Revenue:		
San Diego Transit	\$ 22,294,679	\$ 21,401,339
San Diego Trolley	27,933,766	25,855,241
MTDB Contract Services	17,382,224	16,564,407
Total Passengers:		
San Diego Transit	24,889,685	24,426,571
San Diego Trolley	33,829,833	29,334,362
MTDB Contract Services	18,907,112	18,448,621
Revenue Miles:		
San Diego Transit	9,958,013	10,087,350
San Diego Trolley	8,180,189	7,060,498
MTDB Contract Services	12,241,939	12,702,362
Subsidy / Total Pass		
San Diego Transit	\$ 1.85	\$ 2.33
San Diego Trolley	0.80	0.74
MTS Contract Services	1.96	1.91

Source: MTS Short Range Transit Plan FY 2003-2007, and audited financial statements

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Capital Asset Statistics by Function

Last Two Fiscal Years

	Fiscal Year	
	2006	2005
Governmental Activities:		
Buildings and structures	1	1
Nonrevenue vehicles	10	12
Business-Type Activities:		
San Diego Transit Corporation		
Land (parcels)	2	2
Buildings and structures	2	2
Buses	274	323
Nonrevenue vehicles	45	49
San Diego Trolley, Inc.		
Trolley stations	54	50
Track miles	54.3	48.5
Light rail vehicles	134	123
Nonrevenue vehicles	58	78
Other Contracted Services		
Land (parcel)	1	1
Buildings and structures	1	1
Buses	337	357
Nonrevenue vehicles	2	2
Taxicab Administration		
Buildings and structures	1	1
Nonrevenue vehicles	1	1

Metropolitan Transit System Year End Financial Review FY 2006

MTS Board of Directors Meeting
January 18, 2006



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

YEAR END FINANCIAL REVIEW - FY 2006

CONSOLIDATED HIGHLIGHTS

(in \$ 000's)

Consolidated Variances to Budget	\$	
Operations		1,856
General Areas		59
Subtotal		1,915
Taxi		273
SD&AE		(64)
Total Consolidated Variances	\$	2,124



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

YEAR END FINANCIAL REVIEW - FY 2006

Operating Areas

(in \$ 000's)

Fare Box Revenue	\$	843
Other Operating Revenue		289
Personnel		(751)
Services/Purchased Transportation		(243)
Energy		960
Risk Management		440
All Other		318
Total Variances	\$	<u>1,856</u>



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

YEAR END FINANCIAL REVIEW - FY 2006

Important Notes

- FY 2006 Budget utilized no contingency reserves compared to \$8.2 M in FY 2005
- FY 2006 Budget moved \$ 2.0 M to the Capital Program
- Completed FY 2006 with a \$1.9 M favorable variance to the amended Budget
- FY 2006 operations absorbed \$4.2 M in higher energy costs over FY 2005 through internal efficiencies and without service cuts (\$25.6 M in FY 2006 vs \$21.4 M in FY 2005)



SAN DIEGO METROPOLITAN TRANSIT SYSTEM
YEAR END FINANCIAL REVIEW - FY 2006

Staff Recommendation

Apply the \$1,915,000 favorable budget variance to the contingency reserve.

With this the contingency reserve would be \$16,413,000. This represents approximately 6.8% of the FY 2007 operating budget of \$240,743,000.



Metropolitan Transit System
Year End Financial Review
FY 2006

MTS Board of Directors Meeting
January 18, 2007





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

OPS 910

January 18, 2007

SUBJECT:

MTS: MEMORANDUM OF UNDERSTANDING BETWEEN MTS AND THE
CITY OF CHULA VISTA REGARDING CONSOLIDATION OF BUS OPERATIONS

RECOMMENDATION:

That the Board of Directors receive a report and authorize the Chief Executive Officer (CEO) to execute a Memorandum of Understanding (MOU) between the City of Chula Vista (City) and MTS Regarding Provision of Public Transportation Services in substantially the same format as attached (Attachment A).

Budget Impact

Estimated FY 2007 savings of approximately \$1.78 million based upon the City's calculation as follows:

	HIGH	LOW	AVERAGE
Estimated Cost per Mile	\$4.75	\$4.65	\$4.70
Negotiated Procurement			\$4.54
Difference			\$0.16

DISCUSSION:

Chula Vista Transit (CVT) operates 35 MTS buses on 8 bus routes in the City of Chula Vista (Chula Vista). Chula Vista has a contract with Veolia Transportation Services (Veolia) to provide transit services within its area of jurisdiction.



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.

In April of 2006, MTS completed the COA, which analyzed all public transportation services provided by MTS and its various operators, and concluded that enhanced bus services could be provided in Chula Vista by combining services operated by Veolia for CVT into a new contract to be bid by MTS.

In May of 2006, MTS issued a Request for Proposals for contracted bus services throughout the County of San Diego, included services within Chula Vista, and awarded a contract to Veolia. The new contract between MTS and Veolia is 5½-year base contract with three 1-year options. The contract start date was January 1, 2007.

Following the contract award, staff began discussions with CVT staff regarding consolidating the operation of services within Chula Vista under the new MTS/Veolia contract. An MOU was prepared and negotiated between the parties; a copy of that MOU is attached hereto and recommended for Board approval.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tiffany.Lorenzen, 619.557.4512, tiffany.lorenzen@sdtms.com

JAN18-07.32.CHULAVISTABUS.TLOREN

Attachment: A. MOU between the City of Chula Vista and MTS

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE CITY OF CHULA VISTA
AND THE METROPOLITAN TRANSIT SYSTEM
REGARDING PROVISION OF PUBLIC TRANSPORTATION SERVICES

This agreement (Agreement), dated _____, 2007, for the purposes of reference only and effective as of the date last executed, is between the City of Chula Vista (City), a municipal chartered corporation of the State of California, whose business address, telephone, and facsimile numbers are as follows:

City of Chula Vista
276 Fourth Avenue
Chula Vista, CA 91910
(619) 691-5037 - Telephone
(619) 409-5823 - Facsimile

and the Metropolitan Transit System (MTS), a California public agency whose business address, telephone, and facsimile numbers are as follows:

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101
(619) 231-1466 - Telephone
(619) 234-3172 - Facsimile

The Agreement is made with reference to the following facts:

WHEREAS, the state legislature declared its intent to improve existing public transportation services and encourage regional public transportation coordination; and

WHEREAS, MTS is the public agency responsible for the coordination and provision of public transit services within the County of San Diego; and

WHEREAS, City's public transit operator Chula Vista Transit (CVT) is an independent municipal transit system with the City Council as its governing board, which operates public transit services within the City; and

WHEREAS, funding for CVT is allocated and approved each year by the MTS Board of Directors through the MTS annual budget; and

WHEREAS, CVT has a contract with Veolia to operate bus service within the City. In April of 2006, MTS completed a Comprehensive Operational Analysis (COA) that analyzed all public transportation services provided by MTS and its operators and concluded that enhanced bus services could be provided in the City by combining the services that were provided in the CVT and Veolia's contract into a new contract to be bid by MTS; and

WHEREAS, in May of 2006, MTS issued a Request for Proposals (RFP) for contracted bus services throughout the County of San Diego, including within the City, and awarded a contract to Veolia to provide bus service. The contract between MTS and Veolia is 5 ½-year base contract with three 1-year options with a start day of January 1, 2007; and

WHEREAS, the parties to this Agreement have determined that it would be in their best interests to enter into an agreement that sets forth how the contract for bus service will be managed and maintained; and

WHEREAS, the benefits to be gained by the riders who use the transit services provided by parties to this Agreement will include more economical, efficient, effective, continuous, cooperative, comprehensive coordination of local, interjurisdictional, and regional public transportation service in the San Diego South Bay community; and

NOW, THEREFORE, BE IT RESOLVED that the City and MTS do hereby mutually agree as follows:

For purposes of this Agreement, the following definitions apply:

- A. "Chula Vista Transit (CVT)" means the management and administrative staff for the bus service operated by MTS's contractor in the City.
- B. "Contractor" means the provider of transit services (Veolia) pursuant to the MTS-awarded contract.
- C. "Contract" means the transit services contract between MTS and the Contractor.

1. MTS DUTIES

- 1.1 Scope of Work and Schedule. MTS has retained Contractor to perform all of the services and abide by all terms and conditions described in the Contract (Exhibit A), according to, and within the time frames set forth in the Contract, and deliver to City such deliverables as are identified in the Contract, within the time frames set forth in the Contract (time being of the essence) of this Agreement.
- 1.2 Scope of Work. The MTS Board of Directors, with input from the City, shall determine the types and levels of service provided by Contractor in the City, consistent with MTS policies and service planning, regarding the provision of public transportation services. City and MTS shall work together to maximize the types and levels of services provided in the City.
- 1.3 City may request that additional public transportation services be provided within the City. MTS shall endeavor to provide such additional service if requested by City to the extent that funds are available to provide such service, and to the extent that the additional service does not increase operating costs, running times, or create operational inefficiencies that cannot be paid for by available funds.
- 1.4 Compensation. MTS is the public agency authorized to receive local transportation funds from the state. MTS agrees to pay for services rendered by Contractor. Additionally, MTS agrees to fund the services, materials, and supplies, and City personnel associated with the operation and maintenance of CVT as allocated in the annual MTS budget. Funds for CVT staff and administration that are incurred beyond the approved annual MTS budget will not be reimbursed.

- 1.5 Standard of Care. Contractor is obligated to perform the services identified in the Contract in a manner consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions and in similar locations.
- 1.6 Insurance. The Contract requires the Contractor to maintain sufficient insurance for the levels and types of service being provided and to name the City as an additional insured.

2. DUTIES OF THE CITY

- 2.1 Consultation and Cooperation. City shall regularly consult with MTS for the purpose of reviewing the performance of the Contractor and to provide direction and guidance to achieve the objectives of this Agreement. The City shall permit access to its office and maintenance facilities, files, and records by MTS throughout the term of the Agreement.
- 2.2 Compensation. The bus services provided by MTS shall be financed by MTS with funding sources approved in the annual MTS budget. City shall have no obligation to pay for any of the transit services provided by MTS within the City.
- 2.3 Facilities. City shall provide office space for CVT staff and shall continue to provide operation and maintenance facilities for the provision of public transit service at an amount not less than is currently provided so as to maintain the status quo with respect to the size and number of facilities.
- 2.4 Budget. City shall submit a proposed budget each year, including any capital requests, which shall be reviewed and approved or modified by the MTS Board of Directors.
- 2.5 Scope. Contractor shall provide to City all services agreed to in the Contract, and City shall not request that Contractor perform work outside of the scope of the Contract unless such work is approved in writing by MTS.

3. ADMINISTRATION OF CONTRACT

- 3.1 City and MTS mutually agree that the City's transit coordinator will provide administration, Contract compliance, and monitor service quality for those public transit services operated by Contractor within the City.
- 3.2 City shall manage and administer the bus service provided by Contractor and shall continue to cooperate with MTS in administrative, management, and financial procedures pertaining the bus service provided by Contractor. Additionally, City shall have the right to make improvements or changes to the transit facilities located within the City's Public Works Center, in consultation with MTS, to the extent that the City is funding any of those improvements or changes. MTS shall have the right to make improvements or changes to the transit facilities located within the Public Works Center, in consultation with City, to the extent MTS is funding any of the improvements or changes.

4. TERM

This Agreement shall remain in effect during such time as MTS is providing public transportation services in the City unless mutually agreed upon by both parties.

5. FINANCIAL INTERESTS OF MTS

- 5.1 MTS is Not Designated as an Fair Political Practices Commission Filer. Nevertheless, MTS agrees it shall not make, participate in making, or in any way attempt to use MTS's position to influence a governmental decision in which MTS knows or has reason to know MTS has a financial interest other than the compensation promised by this Agreement.

6. HOLD HARMLESS

MTS has inserted the following indemnification clause into its Agreement with Contractor that provides for Contractor to indemnify City:

Except as may be provided otherwise in the Agreement, Contractor shall indemnify, defend, and hold harmless MTS, San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), San Diego and San Diego and Arizona Eastern (SD&AE) Railway Company, San Diego and Imperial Valley (SD&IV) Railroad, the County of San Diego (County), and Cities of San Diego, Chula Vista, Coronado, National City, Imperial Beach, Poway, El Cajon, La Mesa, Santee and Lemon Grove, (Cities), their officers, agents, and employees from any and all claims, demands, loss, litigation, or liability of any kind or nature, whether real or alleged, which MTS, SDTC, SDTI, SD&AE, SD&IV, County, and Cities, their officers, agents and employees may sustain or incur, or which may be imposed upon them, or any of them, for any acts or omissions by Contractor its officers, agents, or employees, arising out of or in any way connected with the performance of work under this Agreement. Contractor shall have no obligation to defend or indemnify MTS, SDTC, SDTI, SD&AE, SD&IV, County, and Cities for such injury or harm that may be caused solely or exclusively by the negligence or willful misconduct of MTS, SDTC, SDTI, SD&AE, SD&IV, County, and Cities, or their agents or employees. In addition to any other remedy authorized by law, so much of the money due to Contractor under this Agreement, as shall be considered necessary by MTS, may be retained until disposition has been made of any claim for damages.

7. TERMINATION OF AGREEMENT

Either City or MTS may terminate this Agreement at any time and for any reason by giving specific written notice of such termination and specifying the effective date, at least 60 days' notice before the effective date of such termination. MTS and City each expressly waives any and all claims for damages or compensation arising under this Agreement except as set forth in this Agreement. In the event that funding for the public transportation services is eliminated or decreased, MTS reserves the right to terminate this Agreement immediately or modify it accordingly without providing 60 days' written notice. MTS and City expressly waive any and all claims against one another for damages arising from the termination, suspension, or reduction of the funds which pay for the contract.

8. INDEPENDENT CONTRACTOR

MTS and any of MTS's agents, employees, or representatives, or the Contractor, are, for all purposes under this Agreement, independent contractors and shall not be deemed to be employees of City, and none of them shall be entitled to any benefits to which City employees

are entitled, including, but not limited to, overtime, retirement benefits, workers' compensation benefits, injury leave, or other leave benefits. Therefore, City will not withhold state or federal income tax, Social Security tax, or any other payroll tax, and MTS shall be solely responsible for the payment of same and shall hold the City harmless with regard to such benefits.

9. ATTORNEYS' FEES

Should a dispute arising out of this Agreement result in litigation, it is agreed that the prevailing party shall be entitled to a judgment against the other for an amount equal to reasonable attorneys' fees and court costs incurred. The "prevailing party" shall be deemed to be the party who is awarded substantially the relief sought.

10. STATEMENT OF COSTS

In the event that MTS prepares a report or document or participates in the preparation of a report or document in performing the services provided by this Agreement, MTS shall include, or cause the inclusion of, a statement of the numbers and cost in dollar amounts of all contracts and subcontracts relating to the preparation of the report or document.

11. MISCELLANEOUS

- 11.1 Neither Party Authorized to Represent the Other. Unless specifically authorized under this Agreement, MTS shall have no authority to act as City's agent to bind City to any contractual agreements whatsoever (See Duties of the City, Consultation and Cooperation, Section 2.1, first sentence). Unless specifically authorized under this Agreement, City shall have no authority to act as MTS's agent to bind MTS to any contractual agreements whatsoever.
- 11.2 Notices. All notices, demands, or requests provided for or permitted to be given pursuant to this Agreement must be in writing. All notices, demands, and requests to be sent to any party shall be deemed to have been properly given or served if personally served or deposited in the United States mail, addressed to such party, postage prepaid, registered, or certified, with return receipt requested, at the addresses identified in page one of this Agreement as the places of business for each of the designated parties.
- 11.3 Entire Agreement. This Agreement, together with any other written document referred to or contemplated in this Agreement, embodies the entire Agreement and understanding between the parties relating to the subject matter of the Agreement. Neither this Agreement nor any provision of it may be amended, modified, waived, or discharged except by an instrument in writing executed by the party against which enforcement of such amendment, waiver, or discharge is sought.
- 11.4 Capacity of Parties. Each signatory and party to the Agreement warrants and represents to the other party that it has legal authority, capacity, and direction from its principal to enter into this Agreement, and that all resolutions or other actions have been taken so as to enable it to enter into this Agreement.
- 11.5 Governing Law/Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any action arising under or relating to this Agreement shall be brought only in the federal or state courts located in

San Diego County, State of California. Venue for this Agreement and performance hereunder shall be the County of San Diego.

IN WITNESS WHEREOF, City and Consultant have executed this Agreement thereby indicating that they have read and understood the same and indicate their full and complete consent to its terms:

CITY OF CHULA VISTA

METROPOLITAN TRANSIT SYSTEM

Cheryl Cox
Mayor

Paul C. Jablonski
Chief Executive Officer

Date: _____

Date: _____

APPROVED AS TO FORM

APPROVED AS TO FORM

Ann Moore
City Attorney

Tiffany Lorenzen
General Counsel

Date: _____

Date: _____

ATTEST

Susan Bigelow
City Clerk

Date: _____

JAN18-07.32.AttA.CHULAVISTABUSMOU.TLOREN



AGENDA ITEM NO.

32

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

21

****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 1-18-07
Name (PLEASE PRINT) RON MORRISON
Address 1243 NATIONAL CITY BLVD
NATIONAL CITY, CA 91950
Telephone 619 336-4233
Organization Represented (if any) CITY OF NATIONAL
Subject of your remarks: EQUITY

Agenda Item Number on which you request to speak 32
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.****



READ INTO RECORD LETTER.

TRANSIT COORDINATE:

$$\begin{array}{r} 4.54 \\ \hline 4.21 \end{array}$$



8:55

AGENDA ITEM NO.

32

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

2

****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 1-18-2007Name (PLEASE PRINT) DON STILLWELLAddress 6308 RANCHO MESA RD #173SAN DIEGO, CA 92108Telephone (619) 282-7760

Organization Represented (if any) _____

Subject of your remarks: MOU WITH CHULA VISTAAgenda Item Number on which you request to speak 32

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

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

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3. DISCUSSION OF AGENDA ITEMS

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





Mayor Ron Morrison

City of National City

1243 National City Blvd. National City, CA 91950

Phone: 619 336-4236

Fax: 619 336-4327

E-mail: RMorrison@ci.national-city.ca.us



January 18, 2007

Chairman and
Members of the Board of Directors
Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490

RE: National City Transit; Proposed Transition of Operational Responsibilities

Dear Chairman and Board Members:

I noted with great interest Item No. 32 of the January 18 MTS Board meeting agenda, which would authorize Mr. Jablonski to execute a Memorandum of Understanding between MTS and the City of Chula Vista regarding the provision of public transportation services. The central feature of the MOU is the Agreement by MTS to pay Chula Vista for providing the services of a "transit coordinator." In exchange, MTS agrees to fund the services, materials and supplies, and City personnel associated with the operation and maintenance of Chula Vista Transit, as allocated in the annual MTS budget.

MTS has just completed its "Comprehensive Operational Analysis," which resulted in MTS taking action to discontinue TDA funding to National City, and to take over the operation of the City's bus system. Supposedly, a principal rationale for this action was the cost savings which would result when MTS no longer had to pay the City of National City for its staff costs in administering the City's bus system. This begs the question, why was MTS compelled to eliminate funding for National City's administrative costs, when it is willing to provide funding to Chula Vista for such costs under the proposed MOU?

Another question arises from information contained in the agenda report for Item No. 32 of the January 18 agenda. Under the section entitled "Budget Impact," the report indicates the negotiated cost of the services to be provided by MTS's contractor Viola to be \$4.54 per mile. However, information provided at the special meeting of the MTS Board held on November 16, 2006, indicated that Viola would provide services at a cost of \$4.21 per mile. Use of the lesser amount, which was provided to the MTS Board when the Board had not yet made the decision to take over National City's bus system, would "inflate" the projected savings estimated from the proposed takeover by approximately \$150,000 per year. This leads to the questions, is the cost of the services provided by the MTS contractor \$4.21 per mile, or \$4.54 per mile, and did the MTS Board make its decision to take over National City's bus operation based, at least partially, on inaccurate information?

Lastly, the City of National City has been informed that the selection of Viola as the transportation services provider which would serve Chula Vista under contract with MTS was accomplished pursuant to a joint procurement process between the City of Chula Vista and MTS. We are further informed that Chula Vista's existing contract with Viola will be allowed to expire on June 28, 2007. This is in contrast with MTS's dealings with the City of National City, in which MTS unilaterally made a decision to take over National City's bus operations, and dictated that MTS would take over operational responsibility on March 4, 2007, even though National City's existing agreements with McDonald are not to expire until mid-June. The final question is simply, why is National City being treated so differently by MTS?

Your careful consideration and response to these questions will be appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Morrison", with a long horizontal flourish extending to the right.

Ron Morrison
Mayor

RM/lw

cc: City Council
City Manager
City Attorney



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

LEG 490 (PC 50121)

January 18, 2007

SUBJECT:

MTS: CONTRACT AWARD FOR MTS LEGAL SERVICES

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) or appropriate staff persons to execute contracts on an as-needed basis to attorneys and firms from the prequalified list (Attachment A) for MTS and its subsidiaries contingent upon successful negotiations with each law firm.

Budget Impact

The funding for these contract services is approved by the MTS Board on an annual basis within the MTS, SDTC, and SDTI (hereinafter "the Agencies") operating budgets. The current combined funding assigned for these services is approximately \$937,657.

DISCUSSION:

The intent of the Legal Services RFP was to establish a list of qualified attorneys and law firms to advise, assist, and represent the Agencies in the areas of law as described in the Scope of Work. This list of qualified attorneys and law firms will remain effective for up to a five-year period. Although the Agencies have historically needed legal assistance in the categories described in the Scope of Work, the Agencies do not guarantee work to any qualified attorney for any category. Conversely, the Agencies may hire specific attorneys for specified durations for work that is outside of the scope of the Legal Services RFP.



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.

MTS solicited qualified attorneys and law firms to provide legal services for each entity (MTS, SDTI, SDTC, San Diego and San Diego and Arizona Eastern [SD&AE] Railway Company, and San Diego Vintage Trolley, Inc. [SDVTI]). In general, the Agencies have in common the categories of labor and employment, pension, third-party liability, and workers' compensation. MTS also needs qualified attorneys in the areas of environmental law, land use, construction contract law, condemnation, taxicab regulation, finance, public employee law, Americans with Disabilities Act (ADA), civil rights, criminal law, historic designation, conflicts of interest, railroad operating law, storm water prevention and pollution, corporate transactional law, and intellectual property.

On November 8, 2006, 38 proposals were received of which 11 were found nonresponsive to the minimum requirements of the RFP and or the pass/fail criteria (No. 1 below).

1. Pass/Fail Criteria

- a) Proposer has demonstrated the ability to meet the insurance requirements described in the Agreement. Proof of ability should be attached to your proposal. (P/F)
- b) Proposer has demonstrated at least five years of relevant experience as an attorney. Experience is relevant if it falls within a category in the Scope of Work. (P/F)
- c) Proposer has demonstrated previous experience working for or with public agencies, transit entities, or corporations. (P/F)
- d) Proposer is a licensed member of the California Bar and in good standing. Please attach proof from the California Bar. (P/F)

The remaining 27 proposals were evaluated by an evaluation committee using the evaluation criteria and assigned weights as set forth in the RFP (Nos. 2 – 5).

2. Qualifications of the Firm or Sole Practitioner 50%

Technical experience in performing legal services of a similar nature; experience working with public agencies; strength and stability of the firm or sole practitioner; strength, stability, experience, and technical competence of subcontractors; assessment by client references; references with demonstrated success in providing similar services.

3. Staffing, Firm Organization, and Management Plan 15%

Qualifications of attorneys and legal staff, particularly key attorneys and the Managing Partner; key personnel's level of involvement in performing related work cited in "Qualifications of the Firm" section; logic of firm organization; adequacy of labor commitment. Your response should also include your procedures for delegating work and the types of work given to paralegals, law clerks, and associates in order to provide cost-effective services to MTS.

4. Work Plan 15%

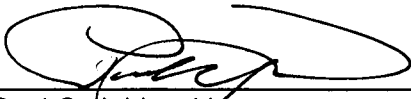
Depth of Proposer's understanding of MTS's requirements as set forth in Section B, Scope of Work, and within this RFP; overall quality of work plan; logic, clarity, and specificity of work plan; appropriateness of labor distribution among the activities; ability to meet legal services proposed; reasonableness of legal service proposed; methods or processes used for data retention and confidentiality; evidence of insurability.

5. Cost and Price 20%

The reasonableness of the total cost proposal and the competitiveness of this amount with other offers received; adequacy of data in support of figures quoted; reasonableness of hourly rates; basis on which prices are quoted.

Firms and attorneys were given an overall score that included qualifications and price. Based on its review, the evaluation committee has determined that the proposals from the attached list of qualified attorneys and firms (Attachment A) best meet the requirements set forth in the RFP and, that based upon consideration of both technical and price factors, has found their offers to be the most advantageous and of the greatest value to the Agencies (Attachment B). Each of these firms or attorneys had an overall score of 70 or higher. Firms or attorneys scoring under 70 were deemed not advantageous to the Agencies. The evaluation committee is recommending the Board authorize staff to negotiate hourly rates and pricing with each of these firms and award a firm fixed-price contract, contingent upon successful negotiations, to those attorneys and firms on the prequalified list on an as-needed basis for a base period of up to five years.

In addition, staff will be reissuing the RFP in January. Of the nearly one-third of the firms that were automatically disqualified, most failed to properly return all necessary forms. Staff feels it is worthwhile to reissue the RFP and allow otherwise qualified firms, many of whom have provided quality legal services for the Agencies in the past five years, to resubmit their proposals with all necessary forms. Staff also hopes to widen the list of qualified attorneys available to the agencies and capture representation in categories where we did receive qualified responses (construction contract law, taxicab regulations, finance, public employee law, Americans with Disabilities Act (ADA), criminal, and corporate).



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tiffany Lorenzen, 619.557.4512, tiffany.lorenzen@sdmts.com

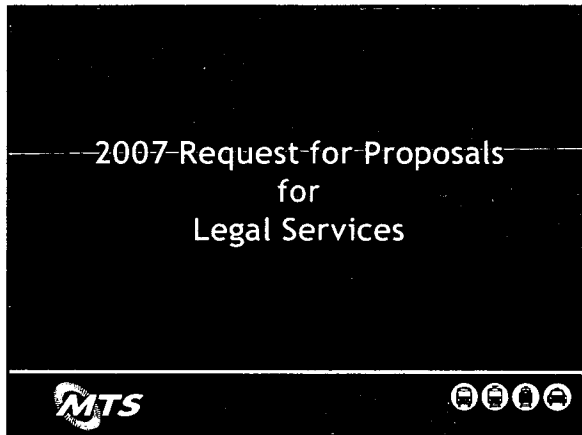
JAN18-07.33.LEGAL SVCS CONTRACT.MCERAGIOLI

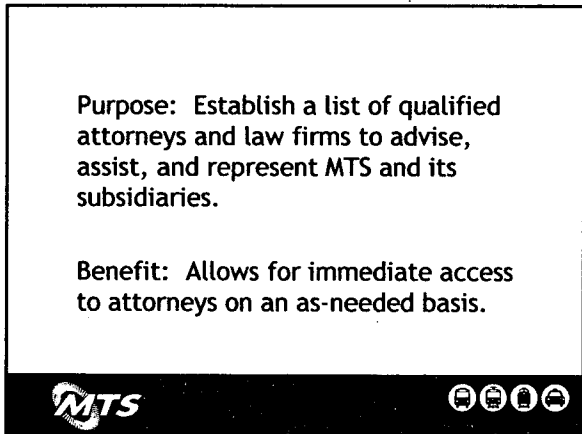
Attachments: A. Proposed List of Prequalified Attorneys
B. Evaluation Committee Memorandum **(Board Only)**

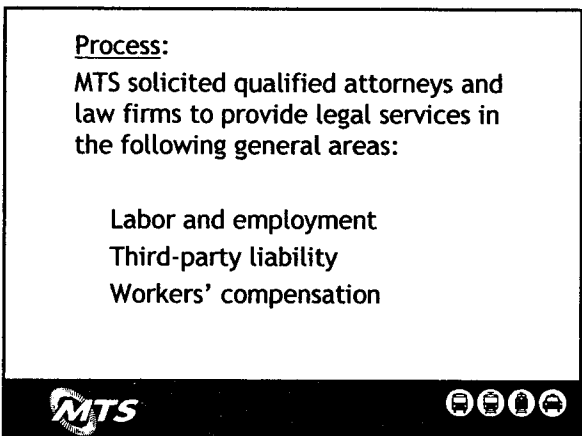
SCORING FORM
LEGAL SERVICES RFP NO. G1036.0-07
Scored 11-14-06
Type of Law

Att. A, AI 33,
1/18/07, LEG 490

PROPOSAL FIRM NAME	Type of Law
Law Offices of Gray & Prouty	Defense Liability
Losano Smith	Eminent Dom.
Paul, Plevin, Sullivan & Connaughton	Employment
Opper & Varco	Environmental
Losano Smith	Environmental
Best Best & Krieger	Land Use
Law Offices of R. Martin Bohl	Land Use
Opper & Varco	Land Use
Kirkpatrick & Lockhart Nicholson	Railroad
Butz Dunn DeSantis & Bingham	Tort
Law Offices of David C. Skyer	Tort
Grant & Soden	Tort
Law Offices of Bing Bush	Tort
Law Offices of Michael Ripley	Tort
McDougal Love Eckis Smith Boehmer	Tort
Ryan Mercaldo & Worthington	Tort
Law Offices of Gray & Prouty	Tort
Neil Dymott Attorney's	Tort
Stutz Artiano Shinoff & Holtz	Tort
Law Offices of Wismar Barber	Workers' Comp
Trovillion Inveiss Ponticello	Workers' Comp
Dietz, Gilmor & Assoc.	Workers' Comp
Siegel Moreno & Stettler	Workers' Comp
Goldman Magdalin Krikes	Workers' Comp
Law Offices of Gray & Prouty	Workers' Comp
Law Offices of Harry Tear	Workers' Comp
Law Offices of Rod Coppedge	Workers' Comp
Law Offices of Sharon McLaughlin	Workers' Comp







Process:

MTS also solicited qualified attorneys and law firms to provide specialized legal services in the following categories:

Environmental law
Land use
Construction contract law
Condemnation
Taxicab regulation
Finance
Americans with Disabilities Act
Civil rights
Railroad operating law



Process:

On November 8, 2006, 38 proposals were received, 11 were found nonresponsive to the minimum RFP requirements.

The remaining 27 proposals were evaluated by an evaluation committee using the following criteria:



- Qualifications of the firm or attorney: 50%
- Staffing, firm organization, and management plan: 15%
- Work Plan: 15%
- Cost and Price: 20%

Total Weight: 100%



Scoring:

Firms and attorneys were ranked first based on technical qualifications (i.e. everything but price).

Technical scores of each evaluator were combined to create an average technical score.

Sealed cost proposals were then opened and firms and attorneys were then ranked based on price.

Price scores of each evaluator were combined to create an average price score.



Scoring:

The evaluation committee then ranked the attorneys/firms into practice areas and totaled the average technical score with the average price score for a combined overall score.

Firms or attorneys with an overall score of 70 or higher were placed on the proposed list of approved attorneys.

Firms or attorneys scoring under 70 were deemed not advantageous to the Agencies and removed from the list.



Negotiations:

The evaluation committee then directed the procurement officer to negotiate with those attorneys or firms whose hourly rates were outside the average rate for each practice area.

The procurement officer was successful in reducing 5 of 7 hourly rates.



Recommendation:

Authorize the Chief Executive Officer to execute contracts on an as-needed basis with attorneys and firms from the prequalified list.



SCORING FORM
LEGAL SERVICES RFP NO. G1036.0-07
Scored 11-14-06
Type of Law

PROPOSAL FIRM NAME	Type of Law	Reviewer 1	Reviewer 2	Reviewer 3	Reviewer 4	Total Tech. Score	÷	Average Tech. Score	Hourly Rate	Average Price for Practice Area	Average Price Score	Total Score
Law Offices of Gray & Prouty	Defense Liability	58	71	73	70	272	4	68.00	145.00	145.00	10.75	78.75
Losano Smith	Eminent Dom.	63	61	67	75	266	4	66.50	250.00	250.00	11.25	77.75
Paul, Plevin, Sullivan & Connaughton	Employment	72	77	77	80	306	4	76.50	315.00	315.00	12	88.50
Opper & Varco	Environmental	66	64	69	70	269	4	67.25	285.00	267.50	11	78.25
Losano Smith	Environmental	63	61	67	75	266	4	66.50	250.00		11.25	77.75
Best Best & Krieger	Land Use	72	77	75	80	304	4	76.00	225.00	270.00	13.75	89.75
Law Offices of R. Martin Bohl	Land Use	70	71	71	70	282	4	70.50	300.00	no change in rate	11.75	82.25
Opper & Varco	Land Use	66	64	69	70	269	4	67.25	285.00		11	78.25
Kirkpatrick & Lockhart Nicholson	Railroad	65	48	65	80	258	4	64.50	500.00	no change in rate	6.5	71.00
Butz Dunn DeSantis & Bingham	Tort	72	77	76	80	305	4	76.25	160.00	161.00	13.5	89.75
Law Offices of David C. Skyer	Tort	66	74	68	80	288	4	72.00	135.00		16.25	88.25
Grant & Soden	Tort	67	71	70	70	278	4	69.50	125.00		16.25	85.75
Law Offices of Bing Bush	Tort	65	70	66	70	271	4	67.75	120.00		17.25	85.00
Law Offices of Michael Ripley	Tort	60	61	69	80	270	4	67.50	120.00		17.5	85.00
McDougal Love Eckis Smith Boehmer	Tort	64	74	70	80	288	4	72.00	150.00	reduced from \$175	12.25	84.25
Ryan Mercaldo & Worthington	Tort	57	74	71	80	282	4	70.50	155.00		12.5	83.00
Law Offices of Gray & Prouty	Tort	58	71	73	70	272	4	68.00	145.00		10.75	78.75
Neil Dymott Attorney's	Tort	53	61	70	65	249	4	62.25	200.00	reduced from \$225	9	71.25
Stutz Artiano Shinoff & Holtz	Tort	65	64	68	60	257	4	64.25	175.00	reduced from \$250	8.5	72.75
Law Offices of Wismar Barber	Workers' Comp	69	77	74	80	300	4	75.00	150.00	140.50	14.25	89.25
Trovillion Inveiss Ponticello	Workers' Comp	67	74	66	80	287	4	71.75	150.00		13	84.75
Dietz, Gilmor & Assoc.	Workers' Comp	64	64	67	80	275	4	68.75	135.00		15.75	84.50
Siegel Moreno & Stettler	Workers' Comp	67	58	71	70	266	4	66.50	125.00		16.25	82.75
Goldman Magdalin Krikes	Workers' Comp	52	67	71	80	270	4	67.50	150.00		11.5	79.00
Law Offices of Gray & Prouty	Workers' Comp	58	71	73	70	272	4	68.00	145.00		10.75	78.75
Law Offices of Harry Tear	Workers' Comp	59	61	69	65	254	4	63.50	135.00	reduced from \$145	13	76.50
Law Offices of Rod Coppedge	Workers' Comp	46	64	65	60	235	4	58.75	120.00		17	75.75
Law Offices of Sharon McLaughlin	Workers' Comp	44	48	72	75	239	4	59.75	135.00	reduced from \$145	11.25	71.00



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San Diego, CA 92101-7490
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Agenda

Item No. 45

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

ADM 124 (PC 50451)

January 18, 2007

SUBJECT:

MTS: C STREET MASTER PLAN UPDATE

RECOMMENDATION:

That the Board of Directors receive an update regarding the Centre City Development Corporation's (CCDC) C Street Master Plan.

Budget Impact

None at this time.

Executive Committee Recommendation

At its meeting on January 11, 2007, the Executive Committee recommended forwarding this item to the Board for approval.

DISCUSSION:

On December 14, 2006, the Board of Directors received a report concerning CCDC's efforts to develop a C Street Master Plan between India Street and Park Avenue in the City of San Diego. The intent of the C Street Master Plan is to revitalize the corridor and make it more active and attractive for the downtown community.

The purpose of the December update was to discuss station length limitations on C Street and issues with introducing the newer low-floor light rail vehicle. Each low-floor vehicle, or S70, is 10 feet longer than the existing cars in use. Therefore, a 3-car S70 train will be approximately 30 feet longer than current train lengths. The purpose of this report is to present additional information on issues identified in December.



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.

Existing and Future Conditions

Trolley service along C Street is an important part of the overall trolley service provided to the region. Over 110,000 passenger trips are made each weekday on this system and, of those, 35,000 to 40,000 trips are linked to one of the four stations on C Street, City College, Fifth Avenue, Civic Center, and America Plaza. Additionally, many passenger trips pass through the corridor on trips between the South Bay and Old Town.

MTS expects additional ridership as downtown grows in accordance with the downtown Community Plan Update, which projects a tripling of the downtown residential population and a doubling of the employment base. The Master Environmental Impact Report (MEIR) for the community plan anticipates a 172 percent increase for all transit trips downtown during peak times.

MTS interests in this corridor fall into three categories:

1. Access. Access relates to both properly located stations and station length. Stations must be located to maximize access to key destinations. In addition, station platforms must be lengthened in order to accommodate system-wide use of the S70 low-floor vehicles. Each new low-floor vehicle is approximately 10 feet longer than its predecessor. A 3-car low-floor train is approximately 30 feet longer than existing train lengths in the C Street corridor, which brings the length of a consist to 272 feet. Downtown block dimensions along C Street, including applicable sidewalk widths, range in length from 222 feet to 244 feet. Blocks including stations, such as the Fifth Avenue and Civic Center Stations, have had pop-outs (bulb-outs) constructed to accommodate current train lengths up to 244 feet.
2. Safety. A primary concern in addressing potential changes in the corridor is providing a safe environment for pedestrians and vehicular traffic. Two related concerns have been discussed with CCDC staff: improving pedestrian safety while crossing in front of stopped trains and assuring that pedestrians cross C Street at designated crossing locations. C Street has several safety challenges. Train operations in this heavily congested area are provided at grade, and there are 16 locations for auto traffic and pedestrians to cross the tracks. These circumstances contribute to the corridor's high number of accidents in relation to other parts of the MTS system.
3. Efficient Operations. Operating efficiently affects the cost to operate the system and the quality of service. It is important to ensure that trains can traverse C Street in a timely manner so that additional trains are not needed to be put into service to maintain schedules. The ability to add cars to trains allows for increased capacity, which will help meet the projected demand for future growth in an operationally efficient way. Further, travel time speaks to quality of service for patrons. If travel times become longer, the service becomes less attractive. Signal preemption can significantly improve efficiency.

CCDC Proposal

The CCDC consultant team for the C Street Master Plan developed three alternatives for C Street:

1. The northern alignment with the trolley tracks on the north side of C Street and a through travel lane proposed for the south side. (See Attachment A.)
2. The southern alignment with the tracks on the south side of C Street and a through travel lane on the north. (See Attachment B.)
3. The existing alignment. (See Attachment C.)

In each proposal, the Fifth Avenue Station would be relocated one block to the east, and the Civic Center Station would be relocated one block to the west. Station relocations were expected to improve spacing between stations and to provide more room for platform growth to accommodate longer trains. The north and south alignment proposals also envisioned a travel lane along the entire corridor. CCDC staff and members of the community supported the travel lane as a way to improve the street grid network, provide additional traffic on the corridor to inhibit crime, reduce loitering, and improve police and emergency vehicle access.

In the end, the northern alignment was chosen as the preferred alignment by CCDC's Technical Advisory Committee and the project's Citizens Advisory Committee despite concerns raised by MTS staff related to safety, access, and efficient transit operations. A letter detailing MTS staff recommendations was sent to CCDC in October.

Outstanding Issues

Based on MTS staff analysis, a number of outstanding issues remain and continue to be explored by the various agency staffs.

1. There would be a lack of a clear separation between trains and pedestrians between stations. Currently, moving trains are separated from sidewalks and pedestrians by a travel lane, planters, or bollards. In the proposed north or south alignment moving trains would be placed immediately adjacent to sidewalks. To date no design elements have been presented, which separated the two activities, and staff feels these elements are critical in order to provide a safe corridor within which the service can efficiently operate.
2. There would be insufficient room built into the plan for expanding platform capacity as trolley use increases in the corridor. Per the Downtown Community Plan Master Environmental Impact Report, downtown transit patronage is expected to increase 172 percent at peak times; however, expected travel characteristics are not known. If projections are underestimated, particularly for outbound patronage oriented to the east and south, there is little to no flexibility to expand platforms if the need arises because of the travel lane in the proposed north alignment.

3. There would be an increased potential for accidents between people accessing stations and moving vehicular traffic because of the introduction of a travel lane on blocks having station platforms in the proposed north or south alignments. Pedestrians accessing station platforms having origins/destinations oriented to the south would be doing so across a travel lane. Access would also be metered as a result of traffic signals. Currently, no travel lane exists at station blocks.
4. There would be a less attractive environment for trolley patrons at the stations due to proximity with vehicular traffic and constrained platforms as depicted in the proposed north or south alignment. The introduction of a travel lane would place auto and truck traffic in close proximity to passengers waiting on a platform. Although this is similar to the Park & Market Station, the travel lane is designed to be closer to the station platform and is projected to handle more traffic.
5. There would be insufficient station length built into the plan to permit longer trains in this corridor and to accommodate safe passenger use of crosswalks. Of all of the outstanding areas of concern for MTS operations, the issue of station length is the most difficult to resolve and, at the same time, the most potentially detrimental because of system-wide implications. As Attachment D depicts, operating one or more low-floor S70 vehicles in a 3-car consist would increase the length of trains and require either that the block between auto traffic lanes be increased or the trains extend into the travel lanes while stopped.

Conclusion

MTS staff will continue to work with CCDC and the City of San Diego to address outstanding concerns, particularly as they relate to the introduction of low-floor vehicles on C Street. Since staff believes that proposed changes to C Street are critical for introducing low-floor vehicles system wide, the Board will receive additional updates as new analyses are completed.

MTS staff is also reexamining potential issues with operating 3-car low-floor S70 trains elsewhere in the system. This is being done to confirm that there are no insurmountable issues precluding introducing this vehicle type. Findings will be presented to the Board of Directors as any issues surface and as they relate to C Street.



Paul C. Jablonski
Chief Executive Officer

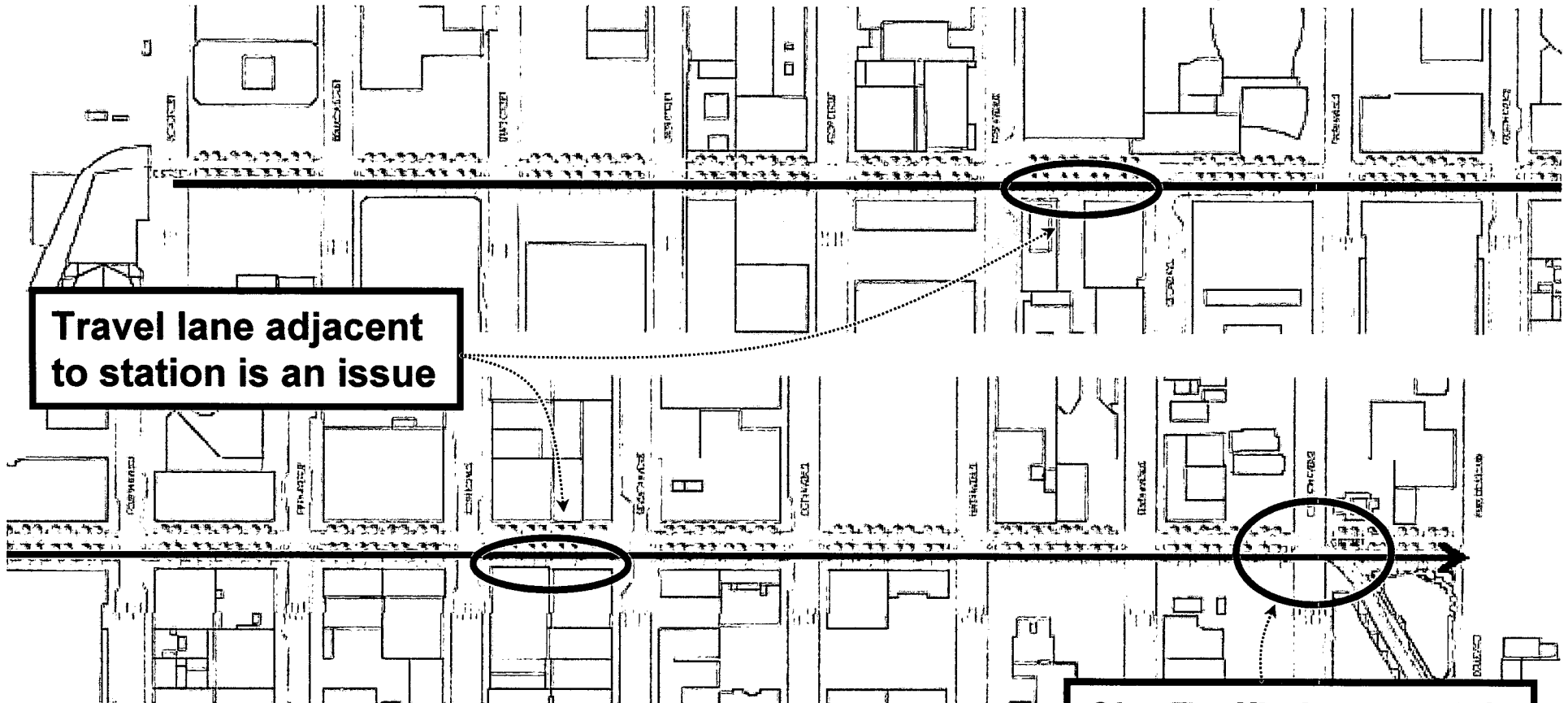
Key Staff Contact: Brandon Farley, 619.595.4920, Brandon.Farley@sdmts.com

JAN18-07.45.C ST UPDATE.BFARLEY

Attachments: A. North Alignment
B. South Alignment
C. Existing Alignment
D. Typical C Street Block (Eastern End)

North Alignment (America Plaza to City College)

Attachment A

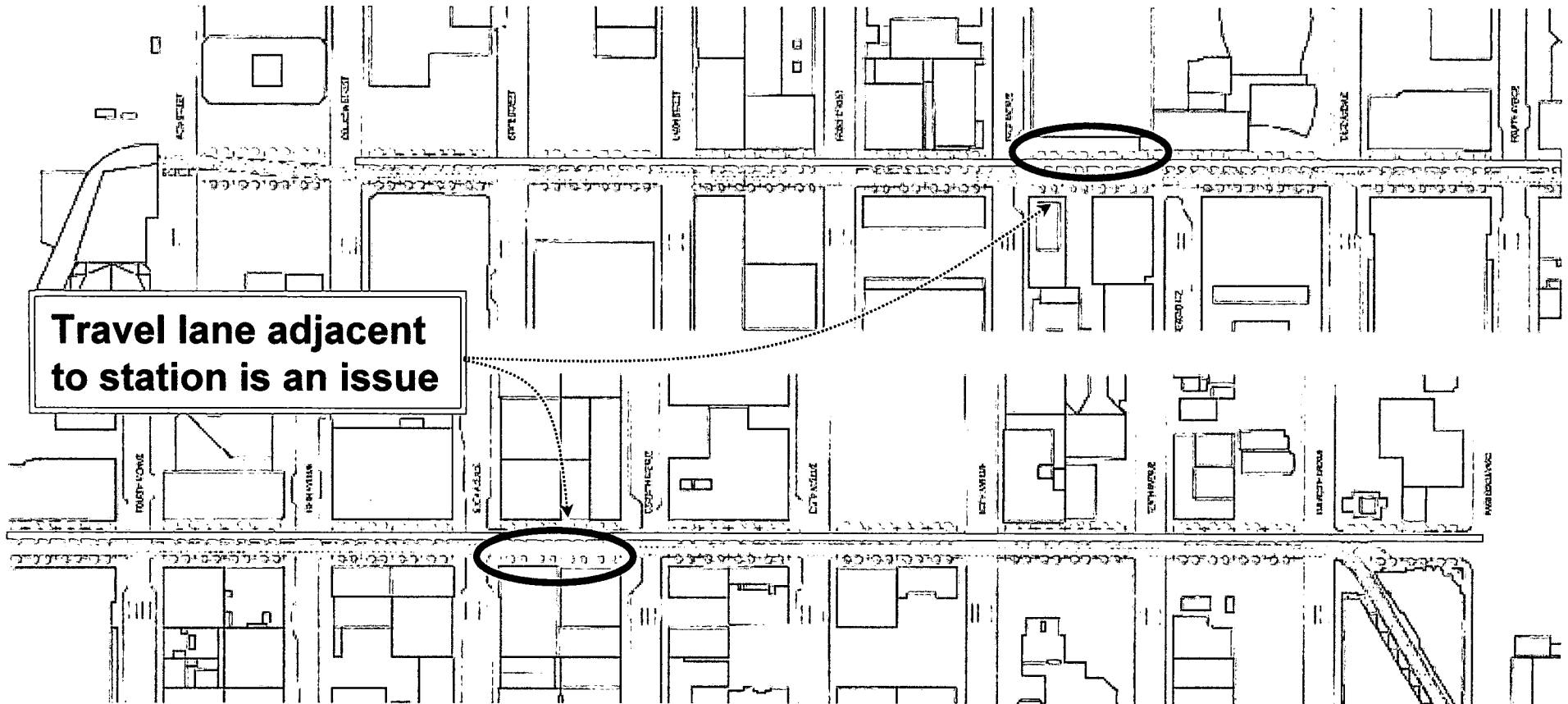


Map Source: CCDC and Skidmore, Owings & Merrill, July 2007

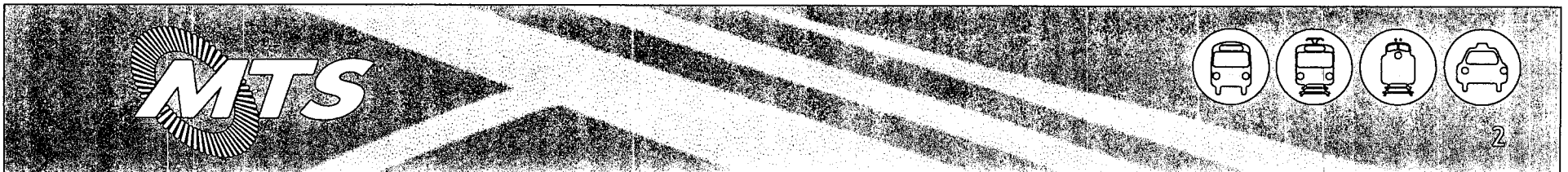


South Alignment (America Plaza to City College)

Attachment B

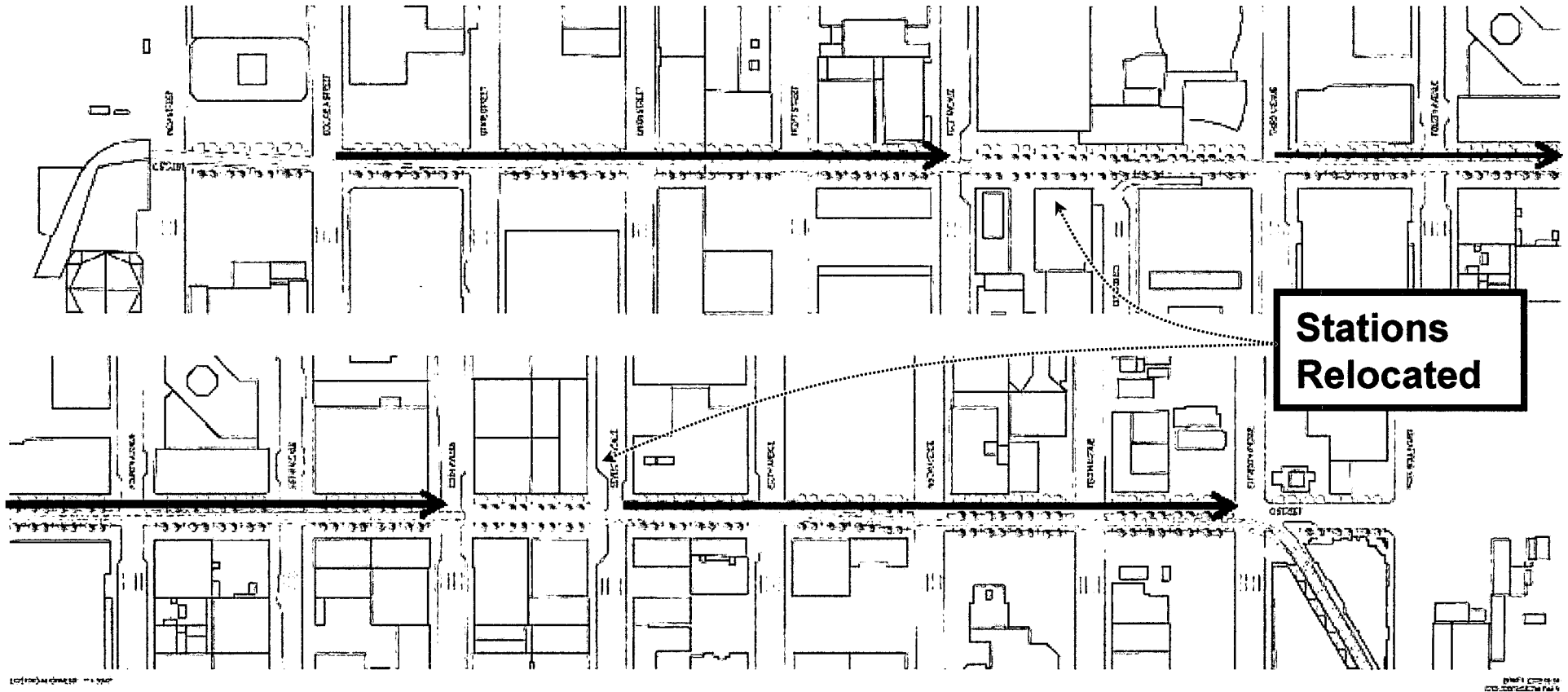


Map Source: CCDC and Skidmore, Owings & Merrill, July 2007



Existing Alignment (America Plaza to City College)

Attachment C

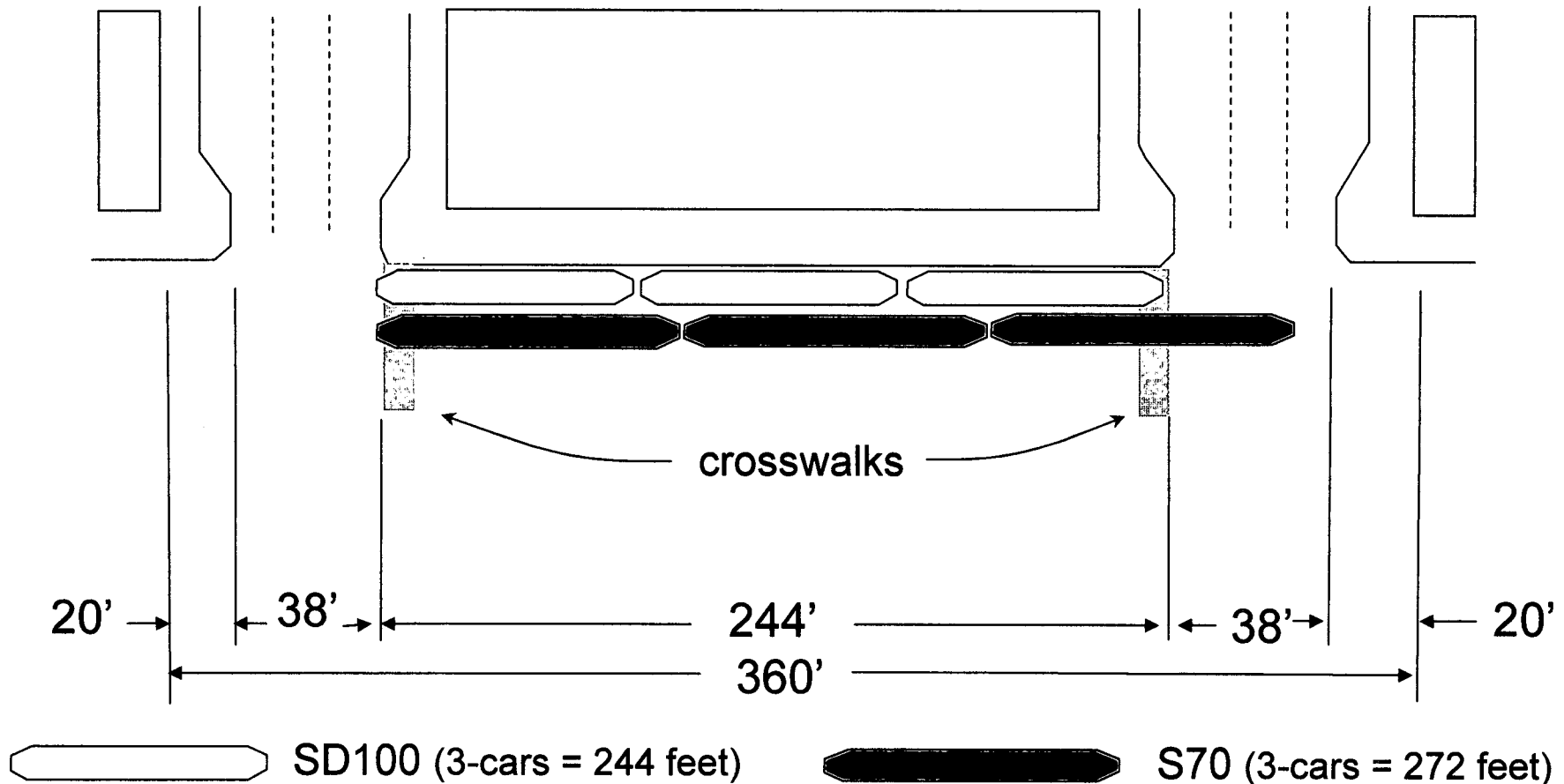


Map Source: CCDC and Skidmore, Owings & Merrill, July 2007



Typical C Street Block Eastern End

Attachment D





AGENDA ITEM NO.

45

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 1/18/2007Name (PLEASE PRINT) SACHIN KALBAG

Address _____

Telephone _____

Organization Represented (if any) CCDCSubject of your remarks: C STREET MASTER PLANAgenda Item Number on which you request to speak # 45

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.****





AGENDA ITEM NO.

45

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

2

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Date 1/18/06Name (PLEASE PRINT) Barbara WardenAddress 401 B St., Ste 100 SD 57101Telephone 619.234.0201Organization Represented (if any) Downtown SD PartnershipSubject of your remarks: C St Master planAgenda Item Number on which you request to speak 45

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

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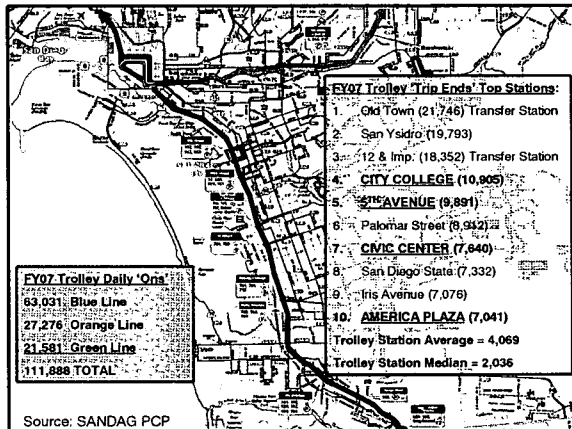
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****REMEMBER: Subjects of previous Hearings or agenda items may not again be addressed under General Public Comments.****







C Street Station Daily Ons & Offs
 (Includes Blue & Orange Lines in each direction)

	FY2006	FY2007	2030
America Plaza	7,170	7,041	Downtown Community Plan Update Master EIR anticipates almost 3 times number of transit trips
Civic Center	7,644	7,640	
5th Avenue	9,826	9,891	
City College	10,565	10,905	
Total	35,205	35,477	100,400

Source: SANDAG Passenger Counting Program

MTS

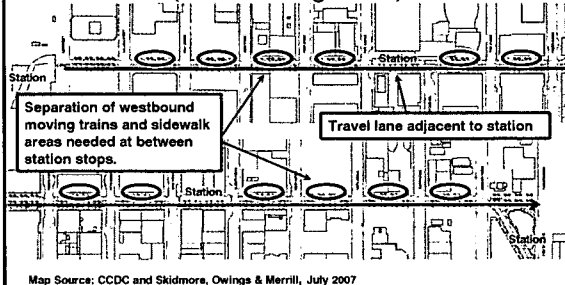
Icons: Trolley, Bus, Bike, Car

MTS Interests in Corridor

- Northern Alignment
 - Safety
 - Access
 - Efficient Operations
- S70 Trains on C Street
 - Station Length
 - Platform Modification



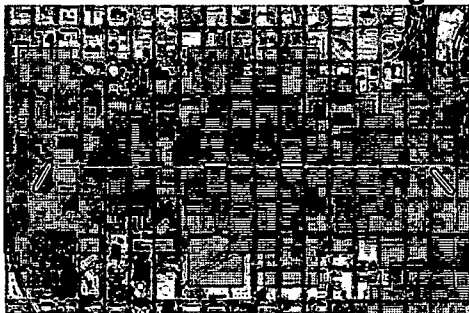
Safety Concerns (Northern Alignment)



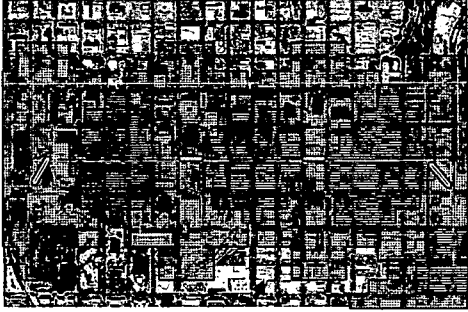
Map Source: CCDC and Skidmore, Owings & Merrill, July 2007



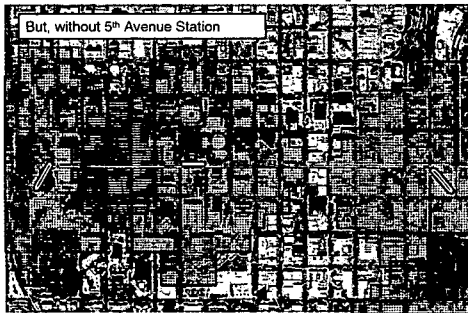
Station Access - Existing



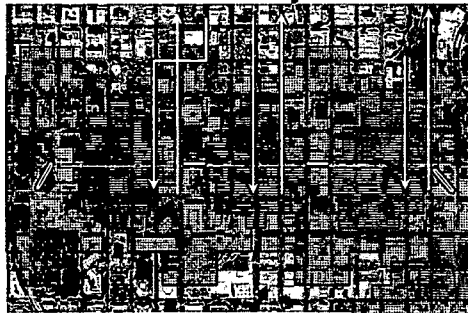
Station Access - Proposed



Station Access - Proposed



Station Access – Major Bus Lines



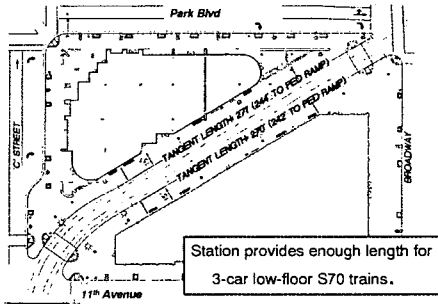
Accommodating S70's on C Street

- City College (Smart Corner)
- 5th Avenue
- Civic Center
- America Plaza



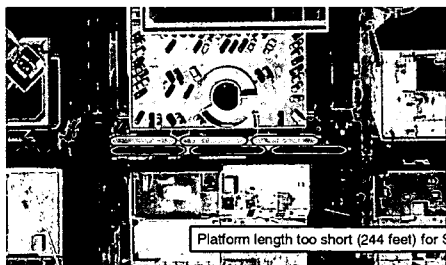
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City College Station (Smart Corner)



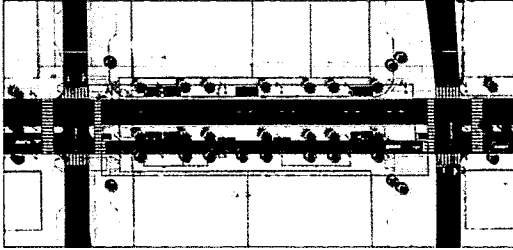
11

Existing 5th Avenue Station



12

Possible Solution for 5th Avenue Station (Relocated to 6th Ave. to 7th Ave.)

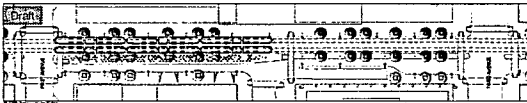


Map Source: CCDC and Skidmore, Owings & Merrill, July 2007



13

Civic Center Station (Station Relocated to span 1st Ave to 2nd Ave)



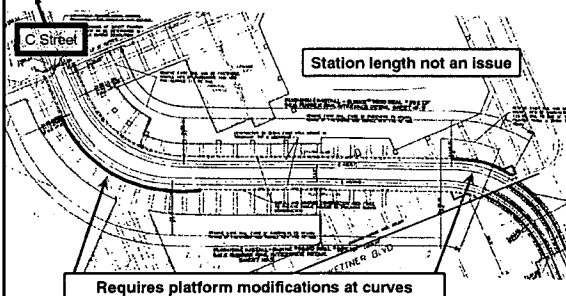
Map Source: CCDC and Skidmore, Owings & Merrill, July 2007

Station length not an issue with Northern Alignment



14

America Plaza Station



15

S70 in America Plaza



Ramp does not land on platform.

Front of train is at regular stop bar in station.



15

C Street Master Plan Update





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Agenda

Item No. 46

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

CIP 11481

January 18, 2007

SUBJECT:

MTS: I-805/SR 52 BUS SHOULDER LANES PROJECT UPDATE

RECOMMENDATION:

That the Board of Directors receive this report for information.

Budget Impact

None.

DISCUSSION:

Increasing congestion on arterial streets and freeways impacts public transportation operations by adding travel time, reducing on-time performance, and increasing operating costs. Finding ways to bypass that congestion through the use of transit priority measures offers the potential to mitigate these problems as well increase the attractiveness of transit as an alternative to the automobile, especially during peak travel times. The San Diego Association of Governments (SANDAG), working with MTS and the North County Transit District (NCTD), has successfully implemented a number of arterial queue-jumper lanes and is working on several rapid bus corridor projects that would employ a wide range of transit priority measures ranging from signal priority treatments to dedicated transit lanes.

For the freeway system that is used by a number of existing express bus and commuter express bus services and future BRT lines, our regional managed lanes/high occupancy vehicle (HOV) lanes system outlined in SANDAG's long-range transportation plan,



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.

MOBILITY 2030, will offer high-speed transit priority travel along with direct-access ramps to adjacent freeway BRT stations. Since the managed lanes projects are longer-term solutions, there is a need for short-term priority measures to facilitate existing express services and additional routes planned for implementation in the next several years. Use of freeway shoulder lanes by transit vehicles as a low-speed bypass of congested freeway lanes offers that potential.

SANDAG, in partnership with the MTS, the California Department of Transportation (Caltrans), and the California Highway Patrol (CHP), implemented a demonstration project on December 5, 2005, to evaluate the effectiveness of using the freeway shoulder lanes as a low-speed transit priority measure when the regular freeway lanes are congested. This demonstration project was implemented on SR 52/I-805 between Kearny Mesa and University City using express Route 960, a commuter express bus route operating between the Euclid Avenue Trolley Station/Mid-City and job centers in Kearny Mesa and University City (see Attachment 1 map). This report provides an update on the performance of the demonstration project through its first six months of operation.

Project Objectives

Experience gained through the implementation of this project will be used to assess the ability to use freeway transit lanes in other corridors where existing express services and future BRT services will operate. The demonstration project is assessing five key questions as identified below along with a summary of the performance for the first six months of operation indicated.

1. Safety

To date, there have been no accidents that have occurred as a result of the demonstration project. SANDAG surveyed both Caltrans and the CHP to determine if there have been issues related to Highway Patrol enforcement or Caltrans maintenance activities. None have been noted, and all partners in the project have indicated that there have been no operational issues associated with the shoulder lane operation.

2. Bus Travel Time and Reliability

SANDAG staff performed on-time travel checks during May 2006. All of the trips on Route 960 reported a 99 percent on-time performance, meaning that nearly all buses operating along the freeway shoulder lane demonstration project got into the terminal at Westfield UTC (formerly University Towne Centre) at or before the time shown on the timetable.

In addition to the travel time checks, in May 2006, SANDAG undertook a test of the travel timesavings between buses operating in the shoulder lane versus a car operating in the regular freeway travel lanes. The day of the test saw significant morning commute congestion along westbound SR 52 leading to northbound I-805. The result of the bus using the shoulder lane to bypass this congestion resulted in a five-minute faster travel time versus the automobile trip. While this result was for only that particular surveyed trip, it does provide a dramatic example of the benefits that a freeway shoulder lane program can offer to transit operations when there is significant traffic congestion in the main travel lanes.

3. Bus Driver and Passenger Perceptions

SANDAG staff conducted a survey of drivers and passengers before the demonstration project was implemented and then conducted a follow-up survey after the demonstration project had been in place for six months. The results of the two surveys are shown in the table below:

	Agree		Disagree		No Opinion	
Transit Passengers	Before	After	Before	After	Before	After
This route generally runs on time	89%	92%	8%	8%	3%	0%
Traffic congestion is a daily problem for this route	79%	46%	20%	43%	2%	11%
Drivers do a good job on this route	91%	92%	9%	8%	0%	0%
Using the freeway shoulder is a good idea	83%	90%	12%	6%	5%	5%
Using the freeway shoulder (will) saves time	84%	91%	12%	6%	5%	3%
I (will) feel safe with the bus driving on the shoulder	81%	90%	16%	10%	2%	0%
Transit Drivers						
Passengers can count on route being on time	51%	78%	41%	22%	8%	0%
Traffic congestion is a problem on route	79%	89%	17%	11%	4%	0%
This is a good route to drive	63%	86%	24%	8%	14%	6%
Using the freeway shoulder is a good idea	63%	86%	20%	8%	17%	6%
Using the freeway shoulder is safe	53%	72%	25%	25%	22%	3%
Using the freeway shoulder (will) improved travel time	59%	75%	16%	14%	24%	11%
I have been adequately trained to operate on the freeway shoulder	30%	74%	30%	17%	39%	9%

* Driver training on the route was done after the implementation of the survey. Driver training involved eight hours of classroom training and two hours of field training.

The results show that all categories shown in the "After" survey showed an improved rating by passengers and drivers alike regarding the demonstration project. Passengers, who were very positive about the benefits of the program before it began, were even more positive after having experienced riding on the freeway shoulder during periods of heavy congestion. Approximately 90 percent of transit passengers believe operating on the freeway shoulder saves time with more than 70 percent estimating travel timesavings of five minutes or more. Safety has been a key concern for all agencies involved in this project. In contrast, passengers believed the project would be safe before it began and an even higher percent (90 percent) feel safe now that the buses are actually operating on the freeway shoulder.

While a bit more cautious than transit passengers, transit drivers are still positive overall about the safety and benefits of the demonstration project. As with passengers, transit drivers responded much more positively to the evaluation questions in the "After" survey. In the "Before" survey, drivers took a much more "wait and see" approach to the demonstration project. While driver perception of traffic congestion on the Route 960 is somewhat worse now, drivers indicated that the route is now more likely to be on time. While still rated positively, the areas of biggest concern to drivers are safety, ability to reduce travel time, and training for operating on the freeway shoulder. When asked what other routes might benefit from operating on the freeway shoulder, the Route 905 was mentioned most often.

4. Freeway Level of Service and Maintenance

Both CHP and Caltrans have indicated that there have been no changes in the shoulder or freeway levels of service based on visual-based surveys and in talking with people in the field. MTS staff indicated the need for additional shoulder maintenance due to the trash and other freeway debris that accumulate in the shoulders. SANDAG is evaluating contracting for additional shoulder maintenance to improve the condition of the shoulders.

5. Structural Changes to the Shoulder

During the planning stages of this project, it was determined that shoulder widening would be required along portions of SR 52 to allow for a 10-foot shoulder. This would provide the buses with an optimal travel lane.

Further analysis of the shoulder lane and actual operation of the buses have shown that buses can safely operate in a smaller shoulder without compromising safety. Therefore, the shoulders were never restriped to a wider lane. For the demonstration project, there are no plans to re-stripe unless it becomes a safety concern. Significant signage has been positioned along the shoulder, and more signage is on order per a request from the CHP. Discussions with bus drivers do indicate that the narrow shoulders in certain locations make passing larger vehicles somewhat more difficult. While this has not posed safety problems, it does slow transit operations. Should the demonstration project be made a permanent program, widening the lanes would provide a more optimal environment for buses to bypass vehicles in the congested main lanes.


Conclusions and Next Steps

Based on the first six months of operation, SANDAG, MTS, Caltrans, and the CHP agree that the demonstration project to test the viability of transit vehicles using the shoulder lanes as a low-speed priority measure has been successful. SANDAG will continue to monitor the demonstration project over the coming months (the formal demonstration project continued through December 2006) and will report back to the Board and SANDAG's Transportation Committee after the one-year demonstration period. No problems with the project are anticipated.

Given the success to date, the next step is to begin looking at other applications for freeway shoulder lane projects. Toward this end, a variety of issue areas will be examined:

1. Develop a working list of other corridors that could benefit from this procedure.
2. Undertake a cost/benefit analysis for these corridors that would compare the capital costs versus the benefits received.
3. Develop a list of structural requirements for shoulder use.
4. Follow up on legislative changes required to make the demonstration project a permanent program.

SANDAG will continue the working group with MTS, Caltrans, and CHP to address these issues over the next year.

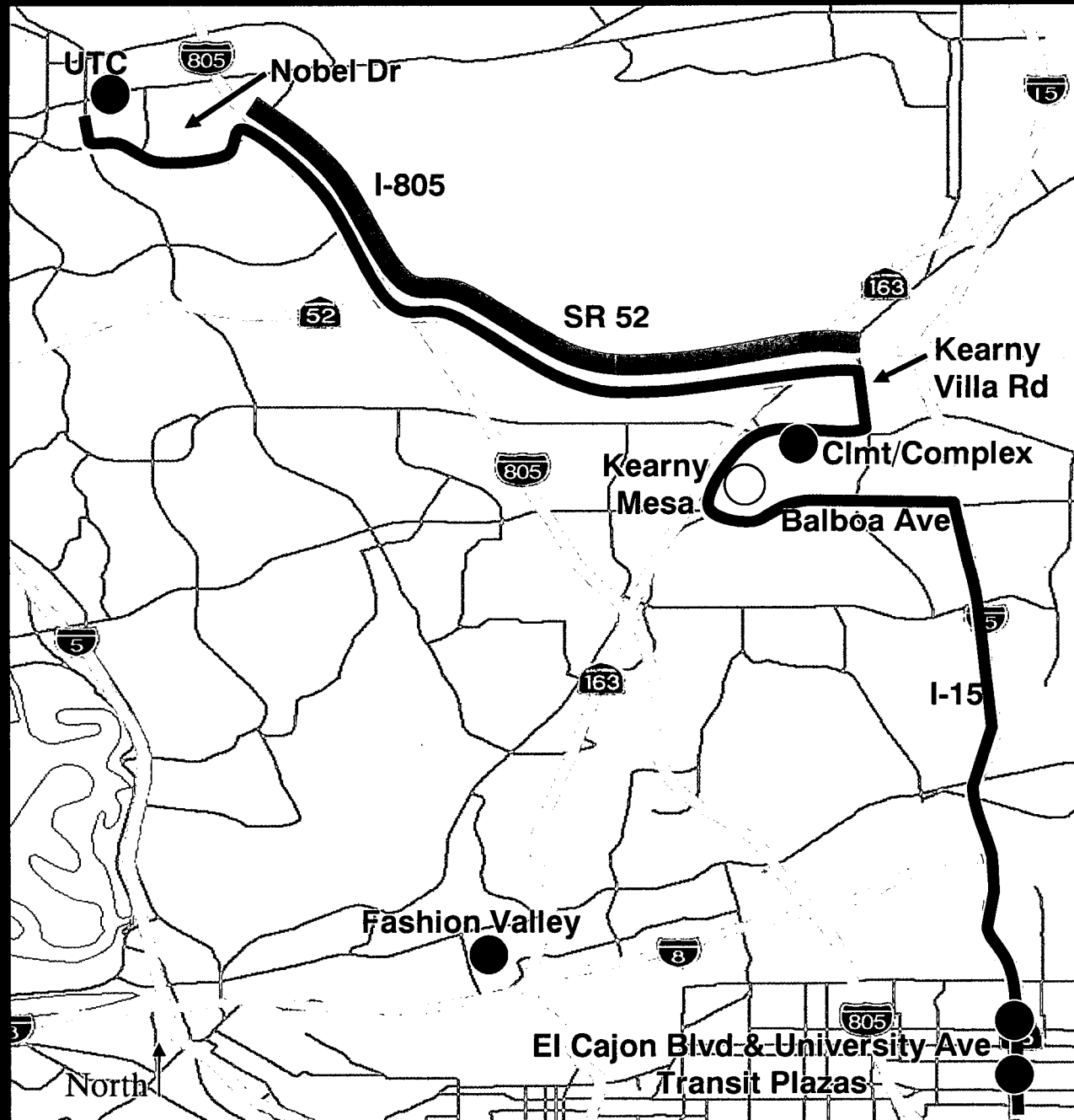


Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Dave Schumacher, 619.699.6906, dsc@sandag.org

JAN18-07.46.I-805 SR 52 BUS LANES PROJECT.DSCHUMACHER

Attachment: A. Project Area Map




Freeway Transit Lanes Demo SR 52/I-805

SR 52/I-805
Shoulder Lane
Project

Route 960
Alignment

- Existing
Transit Center
- Proposed
Transit Center







52
805

**Freeway Transit Lane
Demonstration Project**

MTS Board – January 2007

SANDAG  

Freeway Transit Lane Demonstration Project

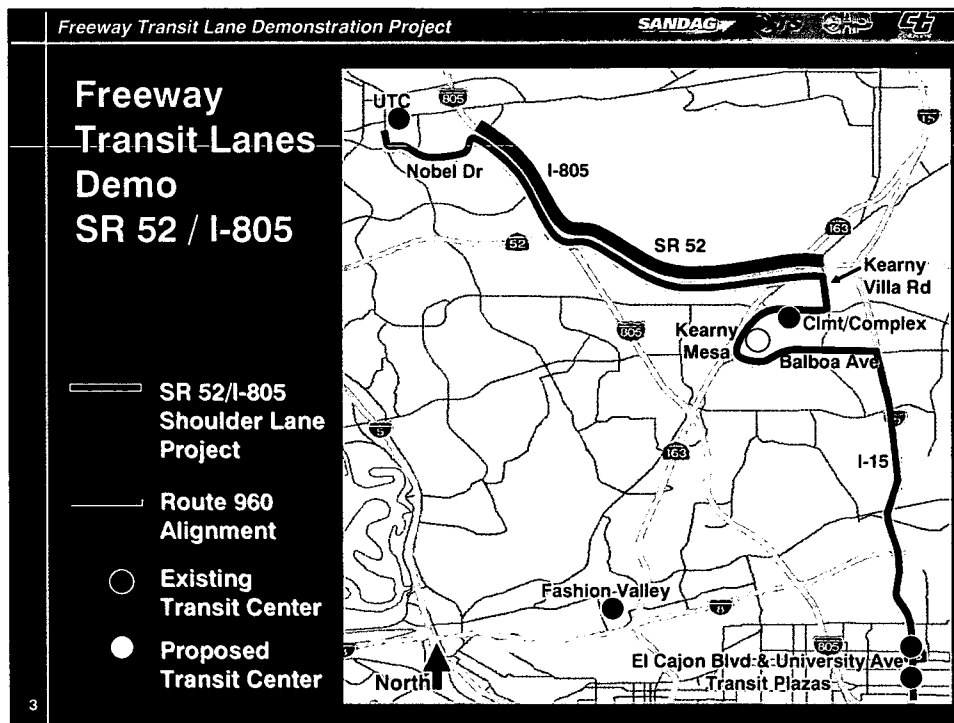
SANDAG

Project Description

- Intent has to gain operational experience with conversion of shoulders to transit lanes as a low-speed priority
- Has a cooperative effort between SANDAG, MTS, Caltrans, and the Highway Patrol
- One-year demonstration started in December 2005
- Concept patterned after successful program in Minneapolis





Freeway Transit Lane Demonstration Project

SANDAG

Key Objectives

- **Safety** –
Any change in accident rates or other safety issues?
- **Bus Travel Time/Reliability** –
Any change in travel times & trip reliability?
- **Freeway Level of Service/Maintenance** –
Any reduction in freeway level of service or increased maintenance needs?
- **Structural Changes to Shoulder** –
What kinds of improvements to shoulders might be needed if program were made permanent?
- **Perceptions** –
Do bus drivers and transit passengers feel safe?

4

Performance To Date

- **Safety**

- No accidents have occurred
- No issues related to CHP enforcement or Caltrans maintenance

- **Bus Travel Time & Reliability**

- Route 960 buses = 99% on-time performance
- Up to 5 minutes travel time savings for buses during heavy congestion

- **Freeway Level of Service & Maintenance**

- CHP & Caltrans report no changes in freeway levels of service
- MTS indicates need for additional maintenance to remove debris in shoulders



5

Performance To Date

- **Structural Changes**

- 10-foot shoulder width optimal
- Buses can safely operate in narrower shoulder, but it does slow operations

- **Perceptions**

- Before and after surveys conducted
- All categories show improved rating in "After" survey
 - » Transit Drivers:
 - 72%: use of shoulders is safe
 - 86%: use of shoulders a good idea
 - » Transit Passengers:
 - 91%: use of shoulders provide travel time savings
 - 90%: feel safe with bus in shoulders



6

Conclusions and Next Steps

- Continue to monitor the Demo Project
- Evaluate other applications for shoulder lane projects
 - Follow up on legislative changes to make demo project a permanent program
 - Develop working list of other corridors
 - Undertake cost / benefit analysis
 - List shoulder structural requirements

52

805





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

Agenda

Item No. 47

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

OPS 920.1, 960.5, 970.5
(PC 50451)

January 18, 2007

SUBJECT:

MTS: FIRST QUARTER 2007 PERFORMANCE INDICATORS

RECOMMENDATION:

That the Board of Directors receive this report for information.

Budget Impact

None.

DISCUSSION:

Operating Environment

The following report is a summary of the MTS bus, contract services, and rail operations statistics for the first quarter of FY 2007. This three-month period of July, August, and September 2006 marked the first three full months of operation, post-Comprehensive Operational Analysis (COA) implementation. September 3, 2006, was the second phase of service implementation, when the majority of the service changes in the urban network took place.

Service Statistics

The following are the relevant service statistics for July through September 2006 categorized by performance indicator. Data is classified to reflect MTS bus operations service, MTS's contracted fixed-route service, MTS's demand-response service, and MTS rail operations service. Charts based on the statistics are provided in



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.

Attachments A through H. It is important to note that the methods and definitions for each of the operations reported is still in the process of being revised, as each agency previously collected data according to different standards. It is therefore not possible at present to firmly compare the performances among the agencies on any indicator.

- Service Effectiveness

➤ The following table details ridership for each month of the quarter.

SERVICE	JULY	AUGUST	SEPTEMBER
MTS BUS	2,135,719	2,212,453	2,185,607
MTS CS FIXED-ROUTE	1,478,752	1,563,631	1,559,040
MTS CS DEMAND RESPONSE	50,982	58,993	50,772
MTS RAIL	2,776,732	3,384,753	3,061,956
MTS OPERATIONS TOTAL	6,442,185	7,219,830	6,857,375

The statistics for MTS contract services/fixed-route are subject to revision for the months of July to September. Revised data will be provided as it becomes available.

- Service Reliability

➤ On-Time Performance: The following table details the on-time performance for each month of the quarter.

SERVICE	JULY	AUGUST	SEPTEMBER
MTS BUS	73.8%	76.3%	79.1%
MTS CS FIXED-ROUTE	79.8%	89.6%	83.7%
MTS CS DEMAND RESPONSE	98.6%	97.7%	98.2%
MTS RAIL	96.3%	97.5%	96.8%
MTS OPERATIONS TOTAL	87.1%	90.3%	89.5%

Although the same standard for reporting is used, each agency uses a different methodology to record on-time performance. Efforts are being made to streamline these methodologies for more consistency.

➤ Mean Distance Between Failures (MDBF): The following table details the MDBF statistic for each month of the quarter.

SERVICE	JULY	AUGUST	SEPTEMBER
MTS BUS	17,236	21,271	19,502
MTS CS FIXED-ROUTE	7,339	7,890	7,700
MTS CS DEMAND RESPONSE	17,509	22,058	26,777
MTS RAIL	707,963	750,651	664,411

The methodology and data collection methods are still being reviewed and streamlined for this statistic to ensure consistency among operations.

- Quality of Service

- Collision Accidents: The following table details collision accidents for each month of the quarter. All accidents are per 100,000 miles.

SERVICE	JULY	AUGUST	SEPTEMBER
MTS BUS	3.3	2.4	2.8
MTS CS FIXED-ROUTE	2.2	1.7	3.2
MTS CS DEMAND RESPONSE	0.9	1.6	1.1
MTS RAIL	-	0.3	0.2
MTS OPERATIONS TOTAL	1.8	1.6	2.1

The methodology and data collection methods are still being reviewed and streamlined for this statistic to ensure consistency among operations.

- Customer Complaints: The following table details customer complaints received for each month of the quarter. All complaints are per 100,000 passengers, except ADA complaints, which are reported as a percentage of total ridership.

SERVICE	JULY	AUGUST	SEPTEMBER
MTS BUS	11.8	9.4	12.2
MTS CS FIXED-ROUTE	7.2	3.5	6.2
MTS CS ADA SERVICES	20 (0.07%)	15 (0.05%)	8 (0.03%)

The methodology and data-collection methods are still being reviewed and streamlined for this statistic to ensure consistency among operations. This statistic will eventually be reported through one consistent data source as the agency consolidation progresses.



Paul C. Jablonski
Chief Executive Officer

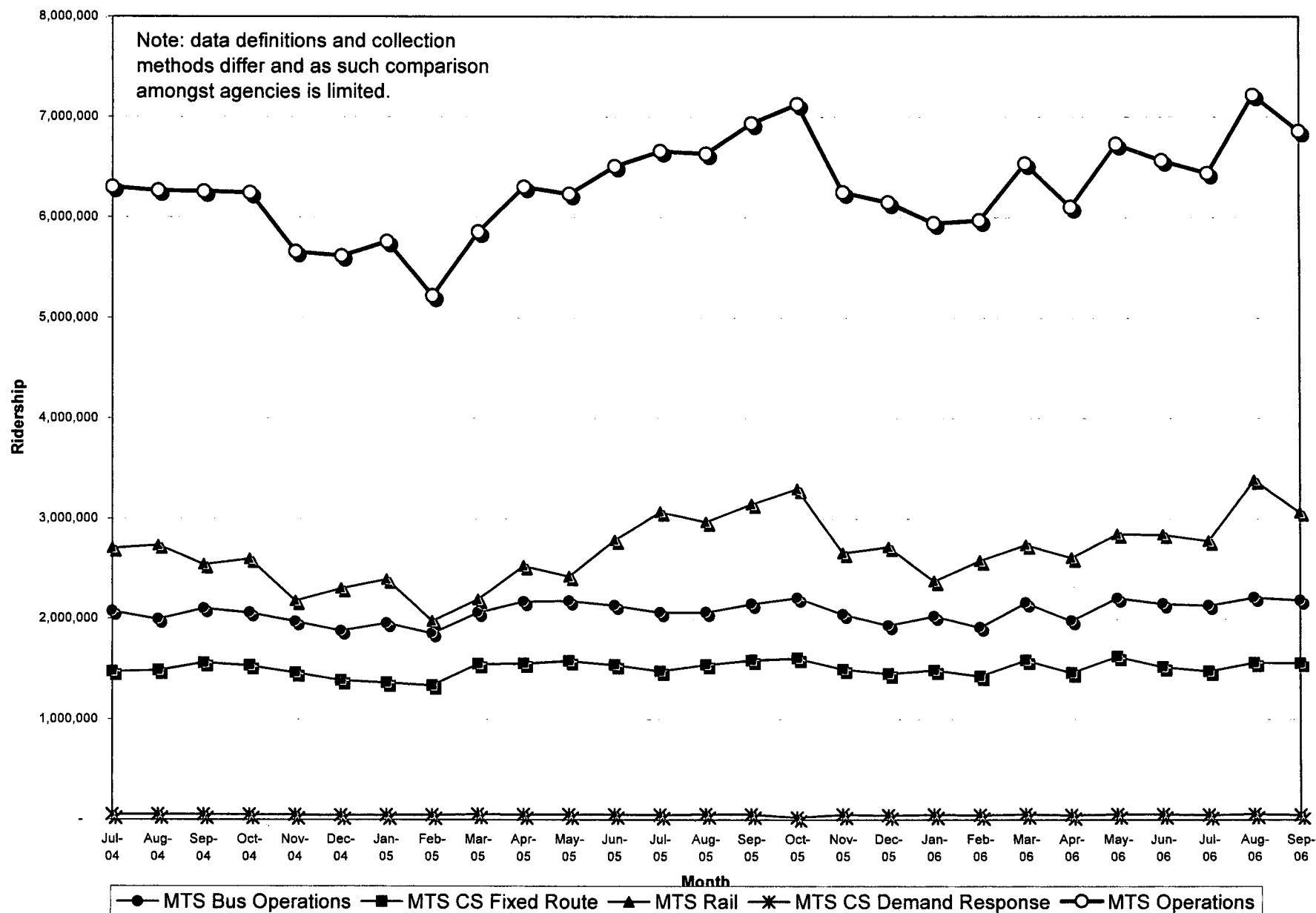
Key Staff Contact: Anika-Aduesa Smart, 619.595.4901, anika.smart@sdmts.com

JAN18-07.47.PERF IND.ASMART

- Attachments:
- A. MTS System Ridership
 - B. MTS Rail Ridership
 - C. On-Time Performance
 - D. MTS Mean Distance between Mechanical Failures – Bus
 - E. MTS Mean Distance between Mechanical Failures – Rail
 - F. MTS Total Collision Accidents – Bus
 - G. MTS Total Collision Accidents – Rail
 - H. MTS Customer Complaints (Non-ADA Service)

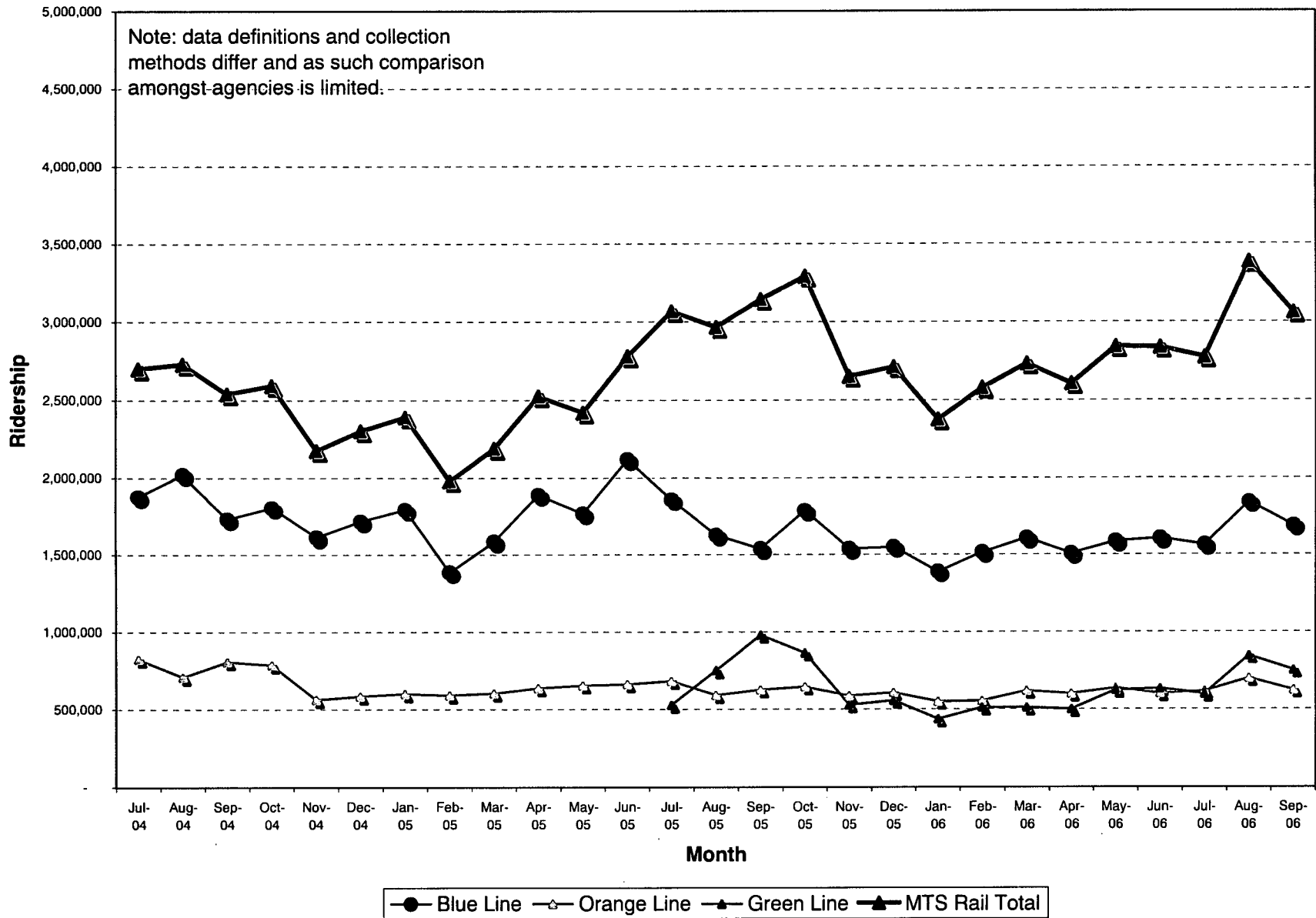


MTS Operations Ridership - FY05 - FY07YTD



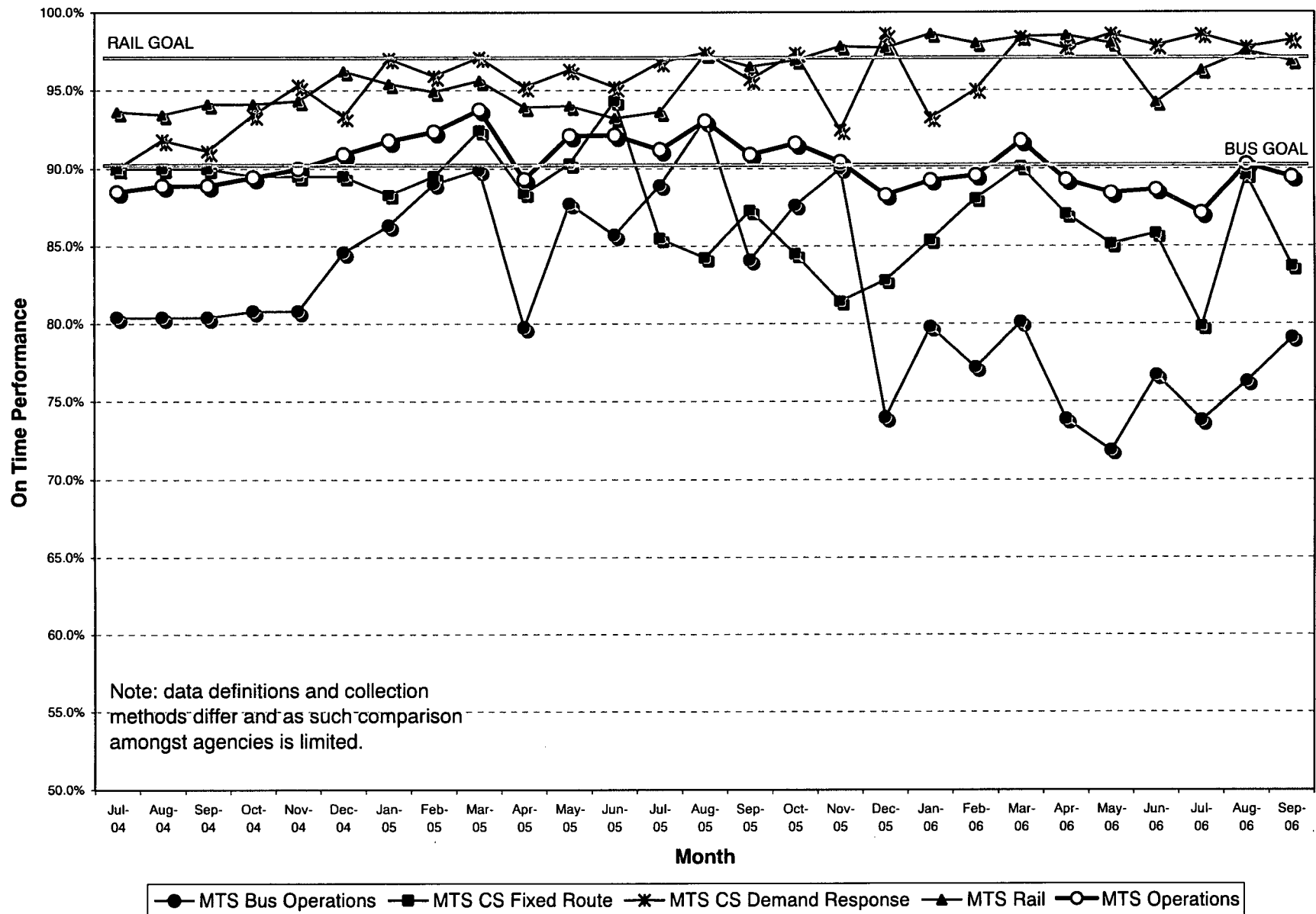


MTS Rail Ridership Detail - FY05 - FY07YTD



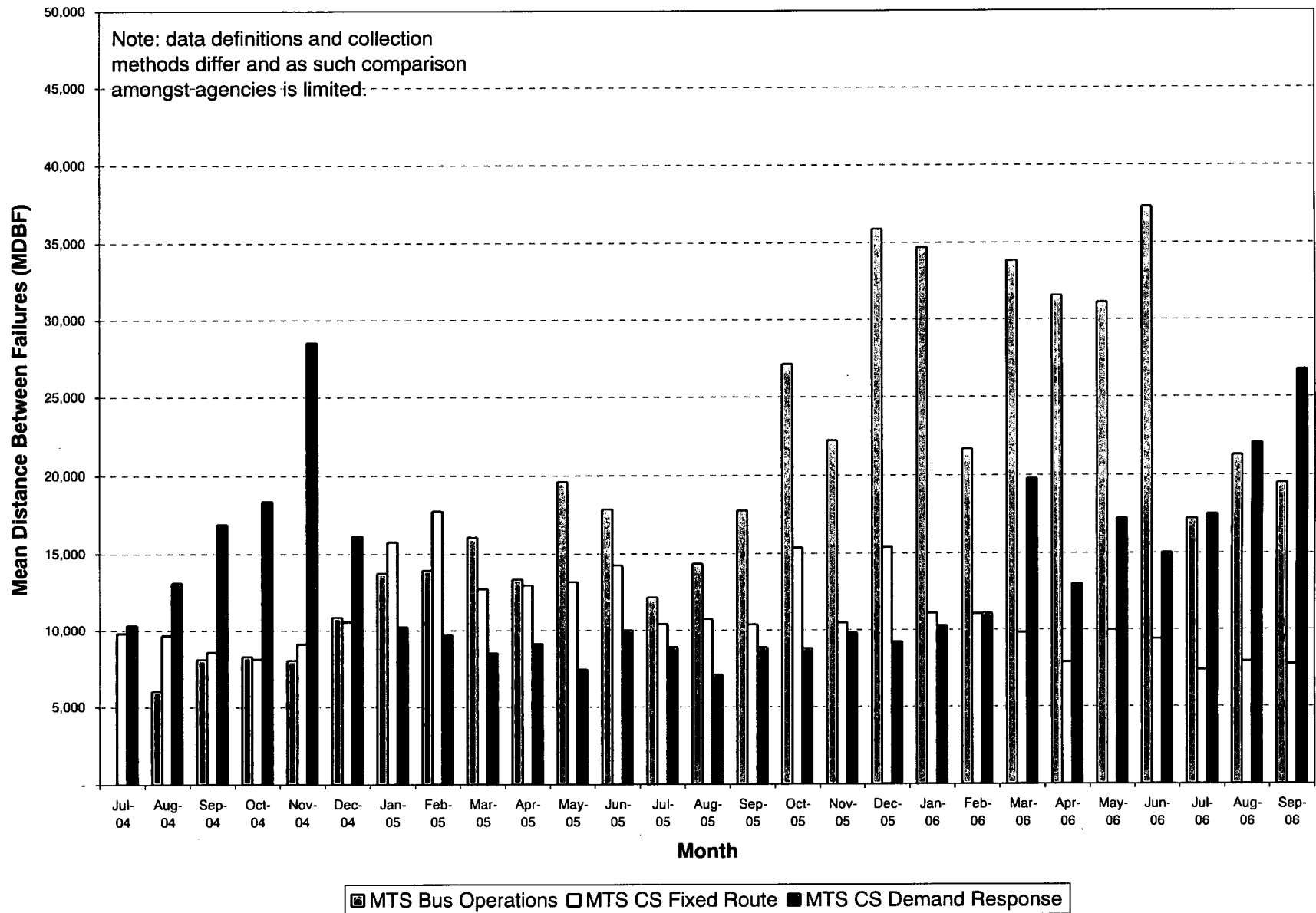


MTS On Time Performance - FY05 - FY07YTD



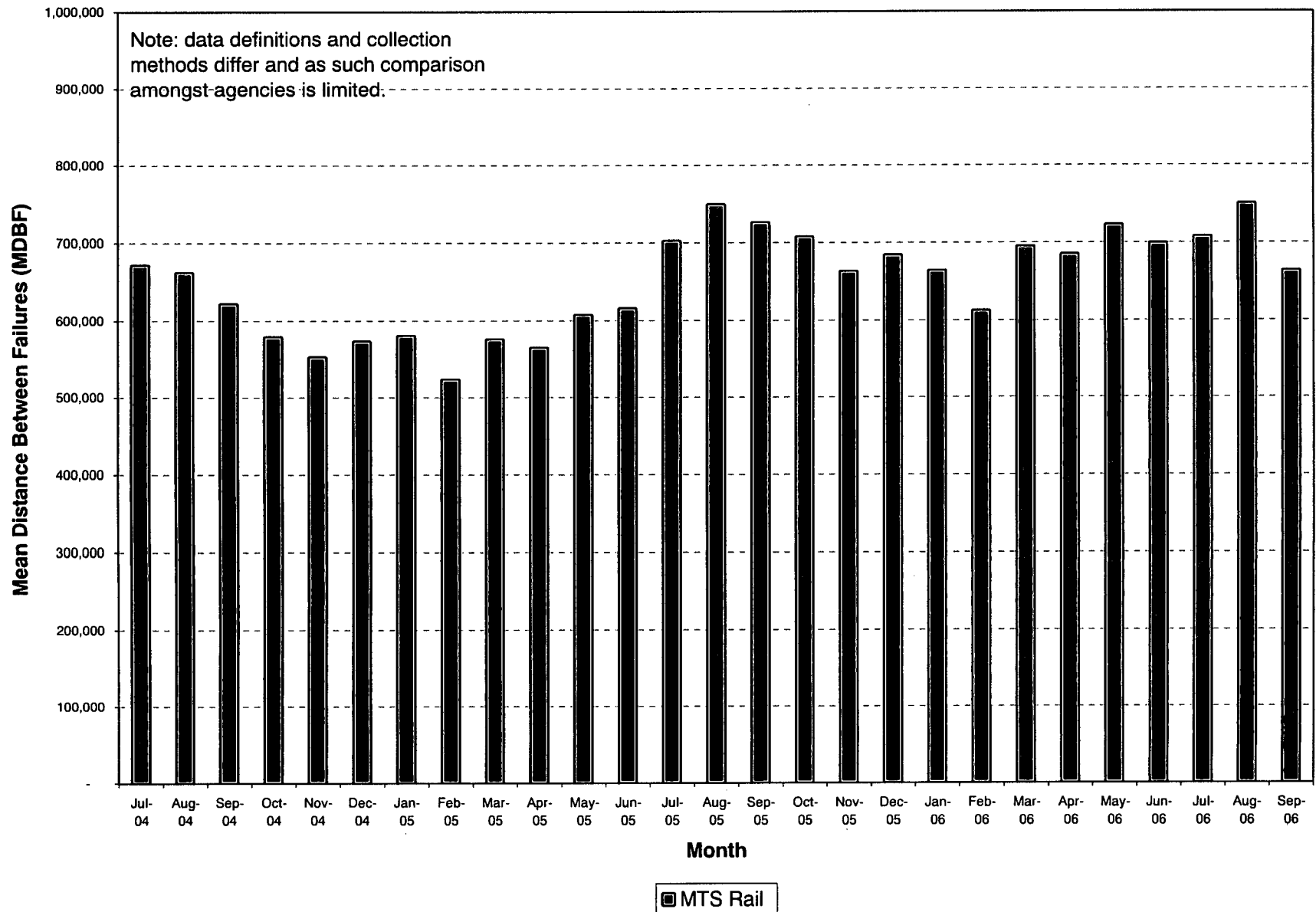


MTS Bus Mean Distance Between Failures (MDBF) - FY05 - FY07YTD



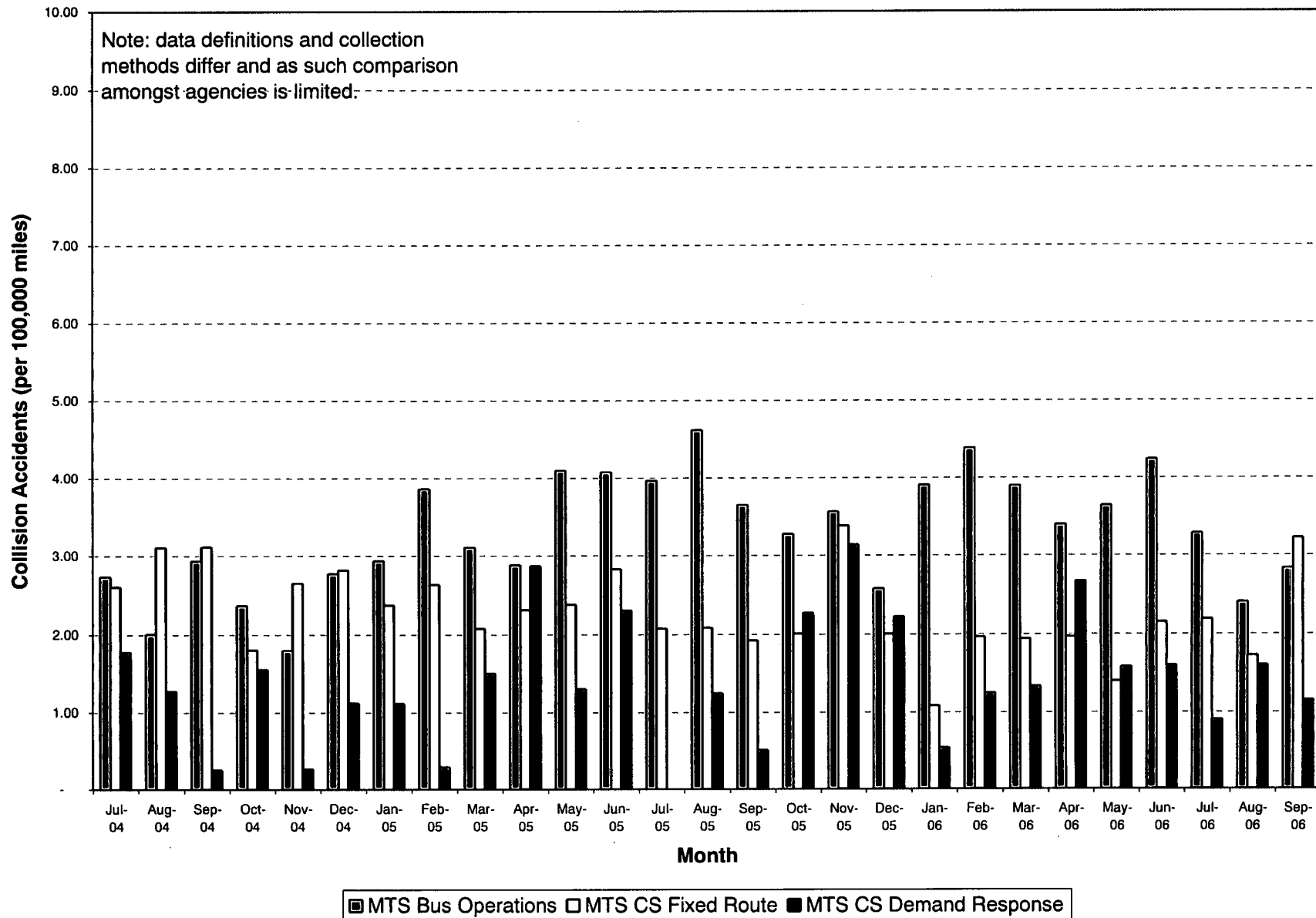


MTS Rail Mean Distance Between Failures - FY05 - FY07YTD



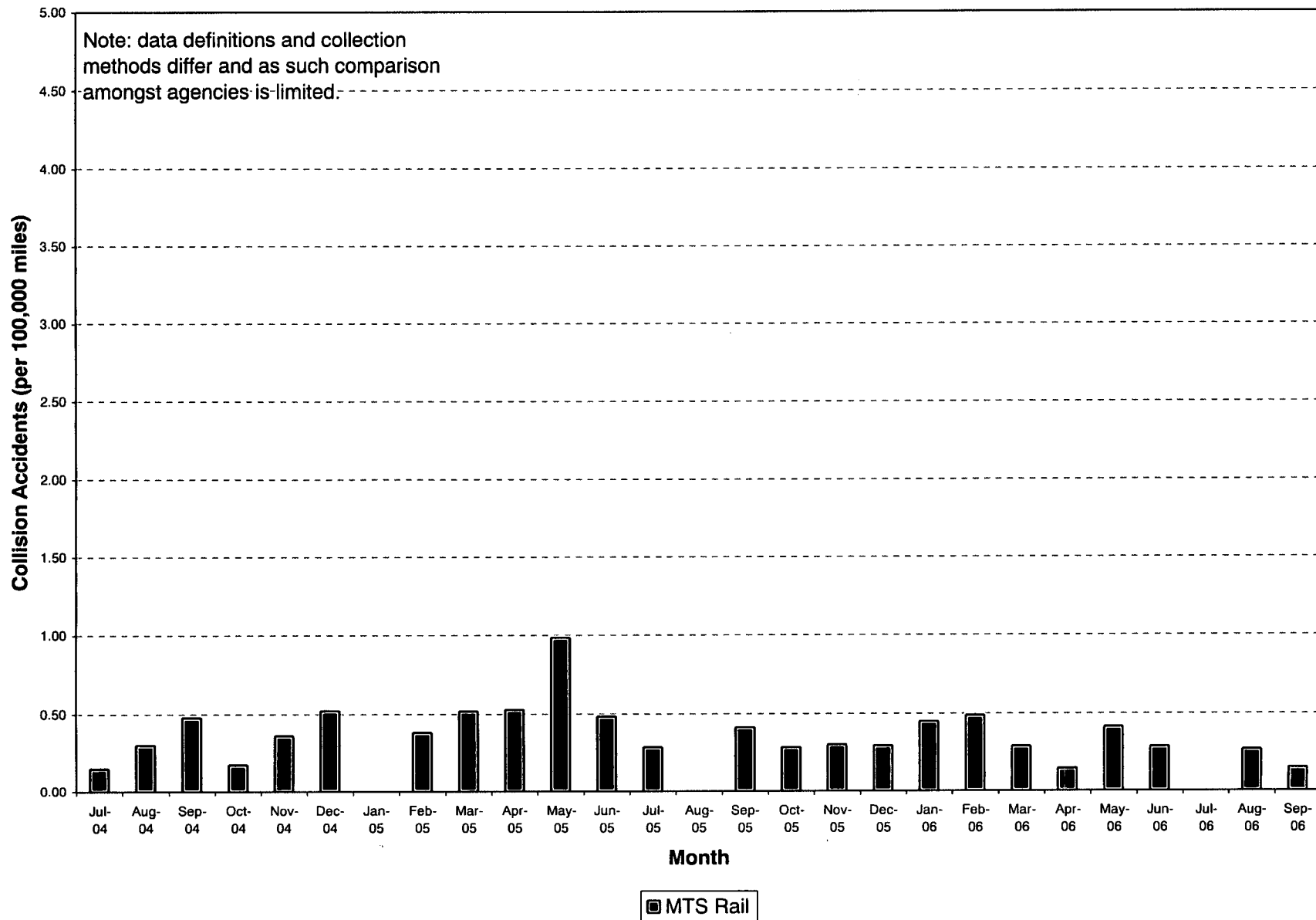


MTS Bus Collision Accidents (per 100,000 miles) - FY05 - FY07YTD



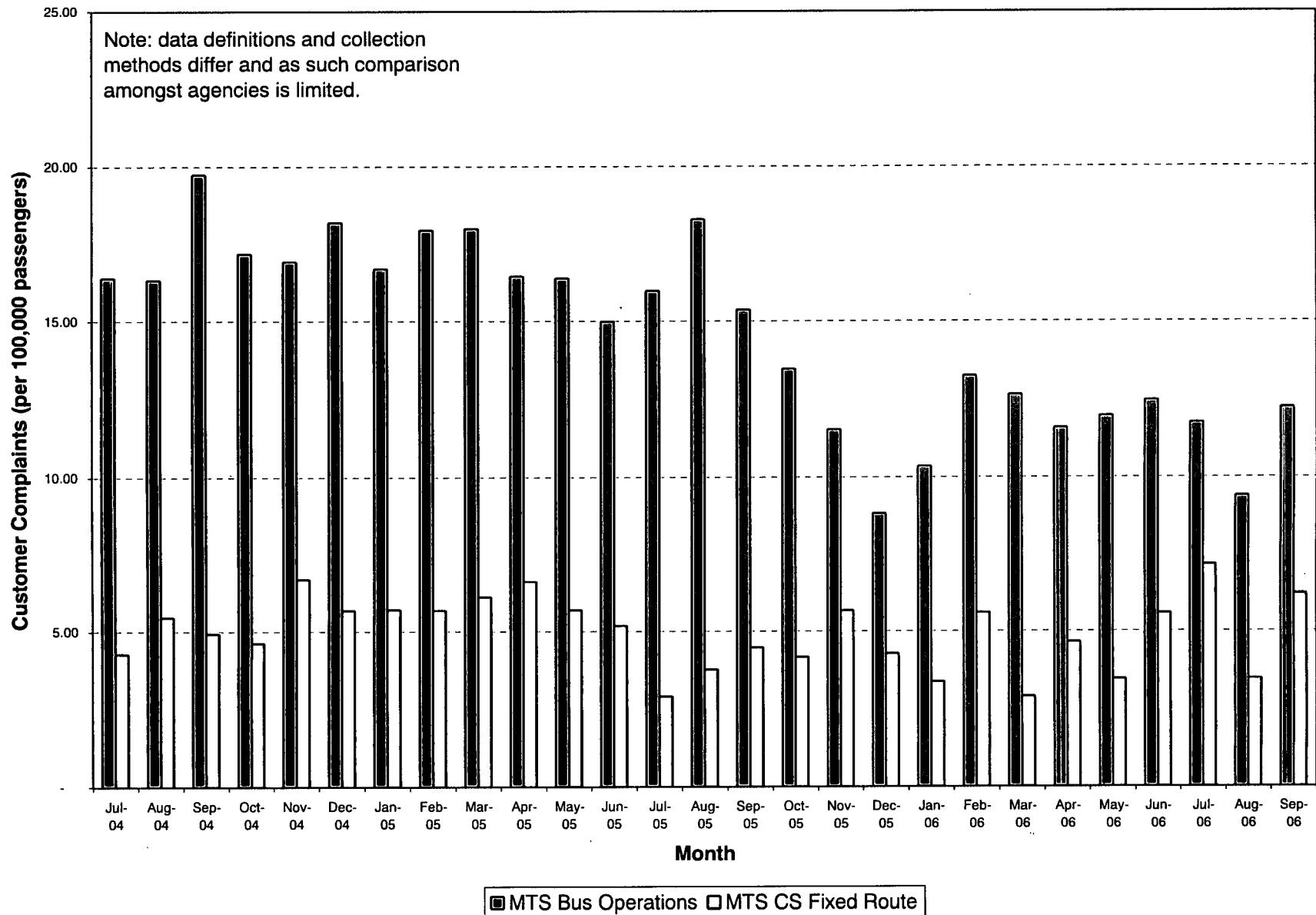


MTS Rail Collision Accidents - FY05 - FY07YTD





MTS Bus Customer Complaints (per 100,000 passengers) - FY05 - FY07YTD



Metropolitan Transit System

First Quarter FY07 Monthly Performance Indicators

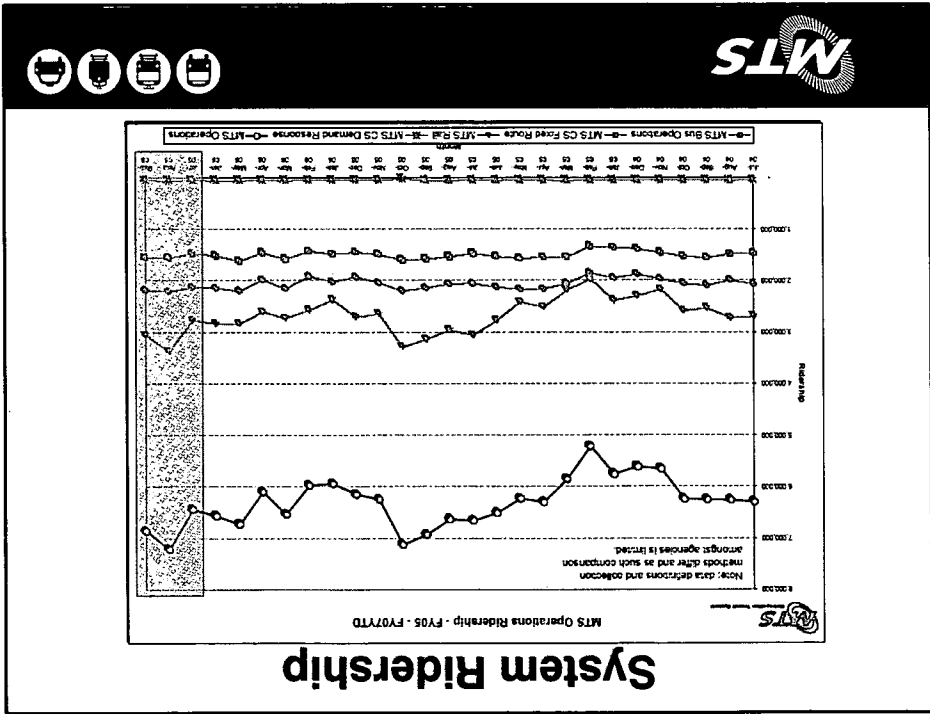
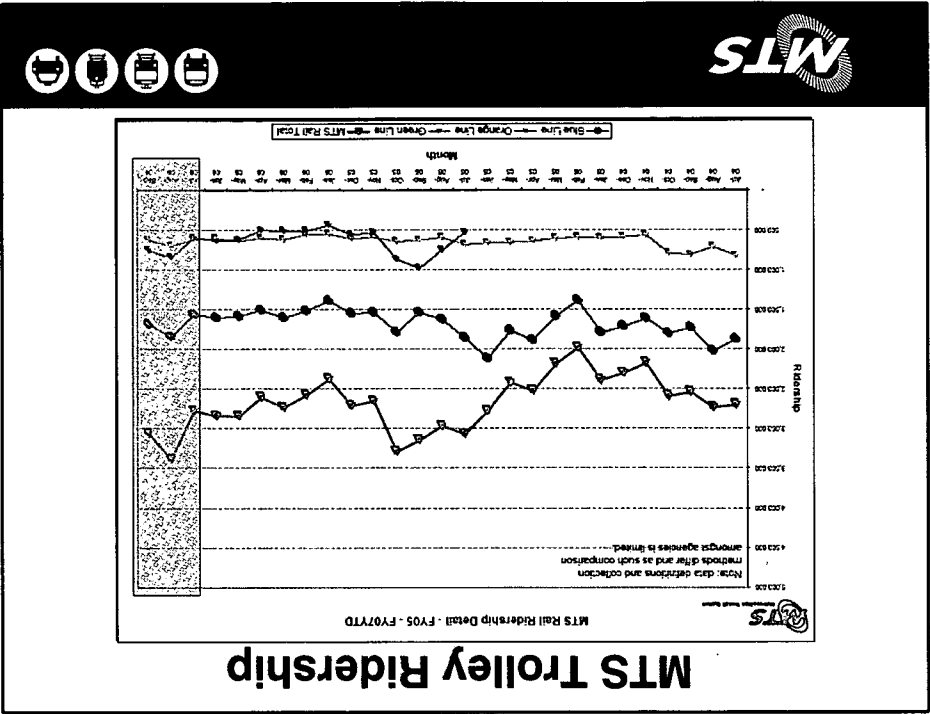
January 18, 2007

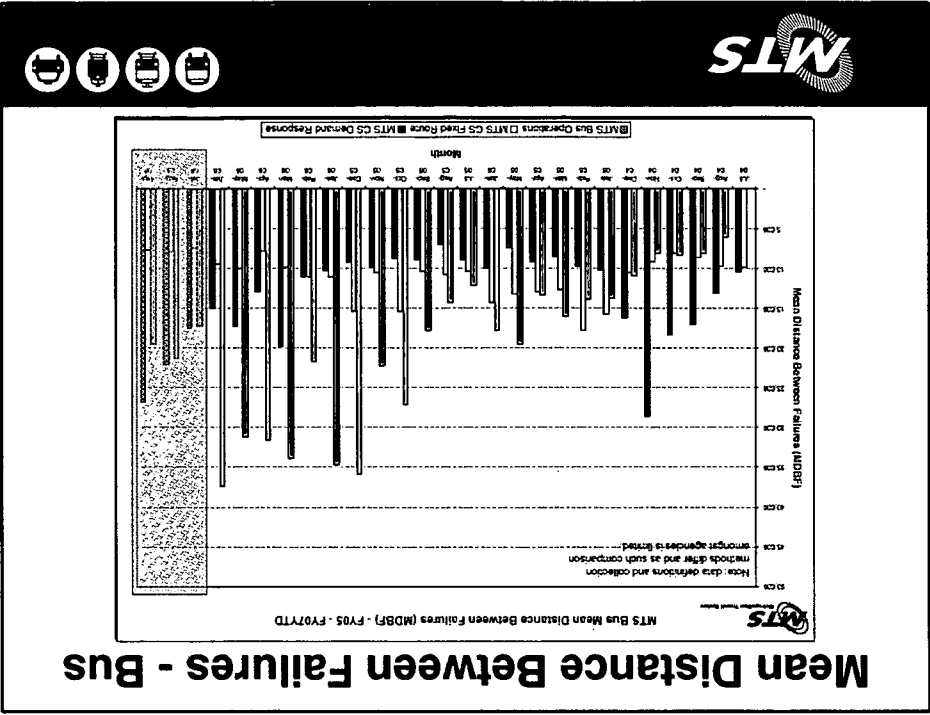


Operations Summary

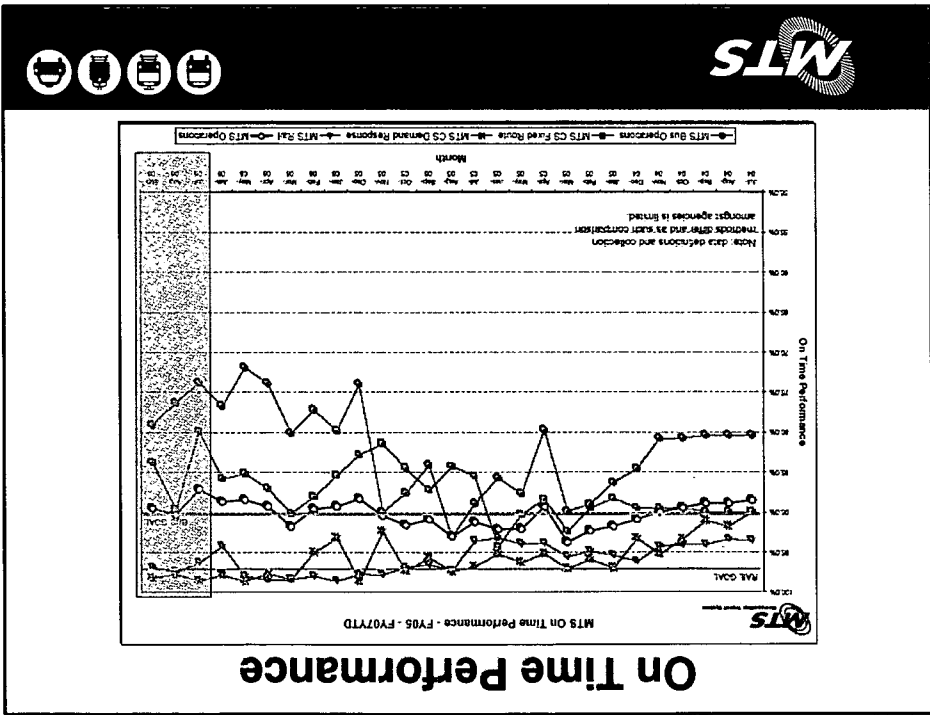
- **Service Changes/Holidays**
 - Independence Day - July 4th – weekend level of service
 - COA changes – September 3rd
 - Second of three stages of COA implementation, majority of changes made in MTS' urban network
 - Labor Day – September 4th – weekend level of service





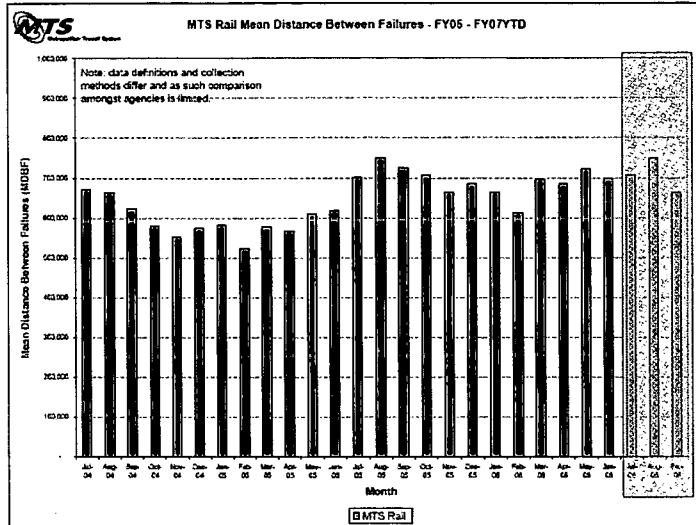


Mean Distance Between Failures - Bus

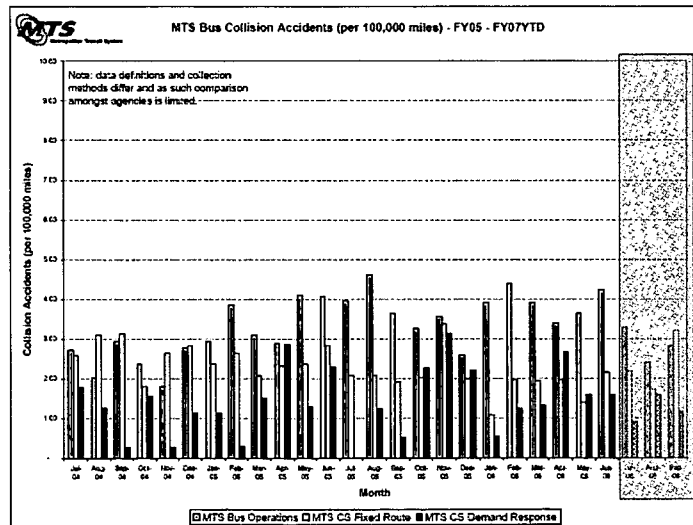


On Time Performance

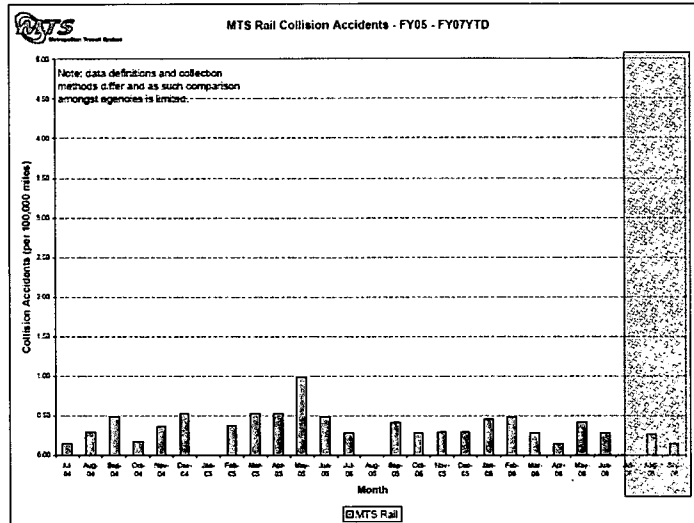
Mean Distance Between Failures - Rail



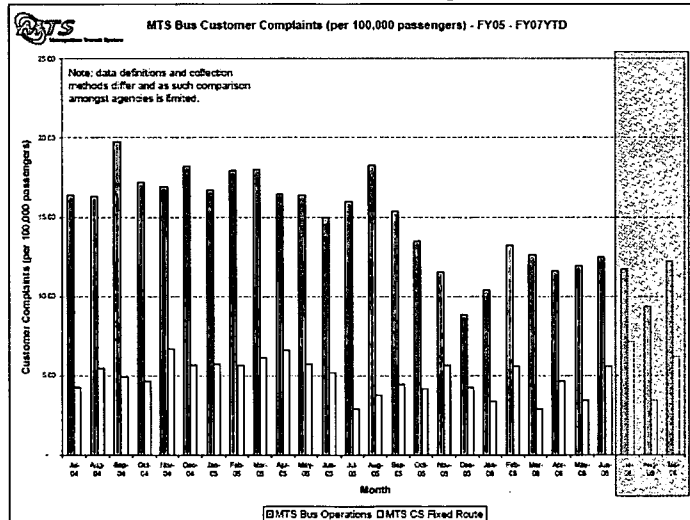
Collision Accidents - Bus



Collision Accidents - Rail



Customer Complaints



Conclusion of Report First Quarter FY 07





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Agenda

Item No. 48

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

FIN 310 (PC 50601)

January 18, 2007

SUBJECT:

MTS: YEAR-TO-DATE OPERATIONS BUDGET STATUS REPORT THROUGH
NOVEMBER 2006

RECOMMENDATION:

That the Board of Directors receive the MTS Year-to-Date Operations Budget Status
Report through November 2006.

Budget Impact

None at this time.

DISCUSSION:

This report summarizes MTS's year-to-date operating results through August 2006. Attachment A-1 combines the operations, administration, and other activities results through August 2006. Attachment A-2 details the year-to-date August 2006 combined operations results, and Attachments A-3 to A-10 present budget comparisons for each MTS operation. Attachment A-11 details budget comparisons for MTS Administration, and A-12 provides year-to-date August 2006 results for MTS other activities (Taxicab/San Diego and Arizona Eastern Railway Company/debt service).

MTS NET-OPERATING SUBSIDY RESULTS

As indicated within Attachment A-1, the year-to-date November 2006 MTS net-operating subsidy favorable variance totaled \$1,672,000 (2.8%). Operations produced a



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\$1,877,000 (3.6%) favorable variance, and the administrative areas contributed a \$236,000 (-10.3%) unfavorable variance.

MTS COMBINED RESULTS

Operating Revenues

Year-to-date combined operating revenues through November 2006 were \$32,948,000 compared to the year-to-date budget of \$32,160,000, representing a \$788,000 (2.5%) favorable variance. Farebox revenues and other operating revenues respectively represent \$259,000 and \$529,000 of the total favorable variance.

The favorable farebox revenues represent higher-than-anticipated ridership and average fares in the Multimodal Operations areas offset by lower-than-anticipated average fares in rail operations. Transit services are essentially on target on a net basis with ridership slightly above budget and average fares slightly below.

The favorable variance in other operating income stems from higher-than-anticipated rental and investment income across rail operations, transit services, and the general fund.

Expenses

Year-to-date combined expenses through November 2006 were \$98,492,000 compared to the year-to-date budget of \$99,376,000, resulting in an \$884,000 (0.9%) favorable variance.

Personnel Costs. Year-to-date personnel-related costs totaled \$39,670,000 compared to a year-to-date budgetary figure of \$39,103,000, producing an unfavorable variance of \$567,000 (-1.5%). This relates to higher-than-anticipated costs for sick and vacation payoffs as well as pension costs primarily within transit services.

Outside Services and Purchased Transportation. Total outside services for the first five months of the fiscal year totaled \$27,595,000 compared to a budget of \$27,982,000, resulting in a year-to-date favorable variance of \$387,000 (1.4%). This favorable variance is primarily due to savings compared to budget within purchased transportation.

Materials and Supplies. Total year-to-date materials and supplies expenses totaled \$2,918,000 compared to a budgetary figure of \$3,047,000, resulting in a favorable expense variance of \$129,000 (4.2%).

Energy – Year-to-Date November 2006. Total year-to-date energy costs were \$10,873,000 compared to the budget of \$11,578,000 resulting in a year-to-date favorable variance of \$706,000 (6.1%). Year-to-date compressed natural gas (CNG) prices averaged \$1.10 per therm compared to the midyear-adjusted budgetary rate of \$1.50 per therm, which produced a favorable variance of \$898,000. Traction power within rail operations showed an unfavorable variance of \$243,000 driven primarily by greater-than-anticipated number of kilowatts used.

Risk Management. Year-to-date expenses for risk management were \$77,000 (3.4%) under budget totaling \$2,183,000 compared to the year-to-date budgetary figure of \$2,260,000.

General and Administrative. Year-to-date general and administrative costs, including vehicle and facilities leases, were \$176,000 (12.2%) under budget totaling \$897,000 through November 2006 compared to a year-to-date budget of \$1,073,000.

YEAR-TO-DATE SUMMARY

The November 2006 year-to-date net-operating subsidy totaled a favorable variance of \$1,672,000 (2.8%) and was produced by many factors. Favorable variances in operating revenue, purchased transportation, materials, energy, risk management, and general expenses were partially offset by wages and fringe-related expenses.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Larry Marinesi, 619.557.4542, Larry.Marinesi@sdmts.com

JAN18-07.48.OPS BUDGET RPT.LMARINESI

Attachment: A. Comparison to Budget

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

**Att. A, AI 48,
1/18/07, FIN 310**

**MTS
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)**

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 6,216	\$ 5,947	\$ 269	4.5%
Other Revenue	646	450	196	43.6%
Total Operating Revenue	\$ 6,862	\$ 6,397	\$ 465	7.3%
Subsidy	\$ 8,291	\$ 8,283	\$ 8	0.1%
Other Non Operating Income	1,412	1,412	-	0.0%
Total Non Operating Revenue	\$ 9,703	\$ 9,695	\$ 8	0.1%
Total Revenue	\$ 16,566	\$ 16,092	\$ 474	2.9%
Wages	\$ 5,254	\$ 5,033	\$ (222)	-4.4%
Fringes	2,999	2,798	(201)	-7.2%
Services	1,291	1,223	(68)	-5.6%
Purchased Transportation	4,124	4,282	158	3.7%
Materials and Supplies	562	551	(11)	-2.0%
Energy	1,969	2,363	394	16.7%
Risk Management	486	452	(33)	-7.3%
General and Administrative	(18)	38	56	147.4%
Debt Service	2,873	2,866	(7)	-0.2%
Vehicle/Facility Lease	29	26	(3)	-11.5%
Total Costs	\$ 19,569	\$ 19,633	\$ 64	0.3%
Overhead Allocation	(0)	(0)	-	0.0%
Total Revenue Less Total Costs	\$ (3,003)	\$ (3,541)	\$ 537	-15.2%
Net Operating Subsidy	\$ (11,295)	\$ (11,824)	\$ 529	4.5%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 30,992	\$ 30,733	\$ 259	0.8%
Other Revenue	1,956	1,427	529	37.1%
Total Operating Revenue	\$ 32,948	\$ 32,160	\$ 788	2.5%
Subsidy	\$ 52,344	\$ 52,751	\$ (408)	-0.8%
Other Non Operating Income	7,061	7,061	-	0.0%
Total Non Operating Revenue	\$ 59,405	\$ 59,812	\$ (408)	-0.7%
Total Revenue	\$ 92,353	\$ 91,973	\$ 380	0.4%
Wages	\$ 25,409	\$ 25,344	\$ (65)	-0.3%
Fringes	14,261	13,759	(502)	-3.6%
Services	6,595	6,540	(55)	-0.8%
Purchased Transportation	21,000	21,442	442	2.1%
Materials	2,918	3,047	129	4.2%
Energy	10,873	11,578	706	6.1%
Risk Management	2,183	2,260	77	3.4%
General and Administrative	796	938	142	15.1%
Debt Service	14,356	14,332	(24)	-0.2%
Vehicle/Facility Lease	101	135	34	25.2%
Total Costs	\$ 98,492	\$ 99,376	\$ 884	0.9%
Overhead Allocation	(0)	(0)	-	0.0%
Total Revenue Less Total Costs	\$ (6,139)	\$ (7,403)	\$ 1,265	-17.1%
Net Operating Subsidy	\$ (58,483)	\$ (60,155)	\$ 1,672	2.8%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONSOLIDATED
OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 6,216	\$ 5,947	\$ 269	4.5%
Other Revenue	176	101	75	73.9%
Total Operating Revenue	\$ 6,392	\$ 6,048	\$ 344	5.7%
Subsidy	\$ 7,695	\$ 7,695	\$ -	0.0%
Other Non Operating Income	-	(0)	-	-
Total Non Operating Revenue	\$ 7,695	\$ 7,695	\$ -	0.0%
Total Revenue	\$ 14,087	\$ 13,743	\$ 344	2.5%
Wages	\$ 4,546	\$ 4,478	\$ (69)	-1.5%
Fringes	2,821	2,688	(133)	-4.9%
Services	1,082	974	(108)	-11.1%
Purchased Transportation	4,124	4,282	158	3.7%
Materials and Supplies	561	548	(14)	-2.5%
Energy	1,945	2,343	398	17.0%
Risk Management	442	408	(34)	-8.4%
General and Administrative	28	47	19	39.7%
Debt Service	301	294	(7)	-2.4%
Vehicle/Facility Lease	29	26	(3)	-12.4%
Total Costs	\$ 15,880	\$ 16,088	\$ 208	1.3%
Overhead Allocation	577	577	-	0.0%
Total Revenue Less Total Costs	\$ (2,369)	\$ (2,921)	\$ 552	-18.9%
Net Operating Subsidy	\$ (10,064)	\$ (10,616)	\$ 552	5.2%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 30,992	\$ 30,733	\$ 259	0.8%
Other Revenue	922	545	377	69.0%
Total Operating Revenue	\$ 31,914	\$ 31,278	\$ 636	2.0%
Subsidy	\$ 48,691	\$ 49,224	\$ (534)	-1.1%
Other Non Operating Income	(0)	0	-	0.0%
Total Non Operating Revenue	\$ 48,691	\$ 49,224	\$ (534)	-1.1%
Total Revenue	\$ 80,604	\$ 80,502	\$ 102	0.1%
Wages	\$ 22,469	\$ 22,592	\$ 123	0.5%
Fringes	13,788	13,371	(416)	-3.1%
Services	5,391	5,457	66	1.2%
Purchased Transportation	21,000	21,442	442	2.1%
Materials	2,918	3,034	117	3.9%
Energy	10,743	11,479	736	6.4%
Risk Management	1,953	2,019	66	3.3%
General and Administrative	137	234	97	41.5%
Debt Service	1,494	1,470	(24)	-1.6%
Vehicle/Facility Lease	101	135	34	25.1%
Total Costs	\$ 79,993	\$ 81,234	\$ 1,241	1.5%
Overhead Allocation	2,883	2,883	-	0.0%
Total Revenue Less Total Costs	\$ (2,271)	\$ (3,614)	\$ 1,343	-
Net Operating Subsidy	\$ (50,962)	\$ (52,839)	\$ 1,877	3.6%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
INTERNAL BUS OPERATIONS
(SAN DIEGO TRANSIT CORPORATION)
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 1,797	\$ 1,825	\$ (28)	-1.5%
Other Revenue	150	78	72	92.6%
Total Operating Revenue	\$ 1,947	\$ 1,902	\$ 45	2.3%
Subsidy	\$ 2,648	\$ 2,648	\$ -	0.0%
Other Non Operating Income	0	-	-	100.0%
Total Non Operating Revenue	\$ 2,648	\$ 2,648	\$ -	0.0%
Total Revenue	\$ 4,595	\$ 4,550	\$ 45	1.0%
Wages	\$ 2,585	\$ 2,513	\$ (71)	-2.8%
Fringes	2,023	1,951	(71)	-3.7%
Services	150	170	20	11.6%
Purchased Transportation	-	-	-	-
Materials and Supplies	372	356	(16)	-4.5%
Energy	501	816	315	38.6%
Risk Management	226	172	(54)	-31.5%
General and Administrative	12	12	0	0.9%
Debt Service	301	294	(7)	-2.4%
Vehicle/Facility Lease	15	7	(9)	-134.0%
Total Costs	\$ 6,184	\$ 6,290	\$ 106	1.7%
Overhead Allocation	273	273	-	0.0%
Total Revenue Less Total Costs	\$ (1,862)	\$ (2,013)	\$ 151	-7.5%
Net Operating Subsidy	\$ (4,510)	\$ (4,661)	\$ 151	3.2%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 9,342	\$ 9,345	\$ (3)	0.0%
Other Revenue	534	427	106	24.9%
Total Operating Revenue	\$ 9,876	\$ 9,772	\$ 103	1.1%
Subsidy	\$ 17,710	\$ 17,710	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 17,710	\$ 17,710	\$ -	0.0%
Total Revenue	\$ 27,585	\$ 27,482	\$ 103	0.4%
Wages	\$ 12,771	\$ 12,725	\$ (46)	-0.4%
Fringes	10,141	9,611	(530)	-5.5%
Services	785	845	60	7.1%
Purchased Transportation	-	-	-	-
Materials	1,738	1,808	70	3.9%
Energy	3,189	3,707	519	14.0%
Risk Management	860	835	(25)	-3.0%
General and Administrative	57	61	5	7.4%
Debt Service	1,494	1,470	(24)	-1.6%
Vehicle/Facility Lease	20	33	12	37.4%
Total Costs	\$ 31,054	\$ 31,096	\$ 41	0.1%
Overhead Allocation	1,364	1,364	-	0.0%
Total Revenue Less Total Costs	\$ (4,833)	\$ (4,978)	\$ 144	-
Net Operating Subsidy	\$ (22,543)	\$ (22,687)	\$ 144	0.6%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
RAIL OPERATIONS
(SAN DIEGO TROLLEY, INC.)
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 2,160	\$ 2,175	\$ (15)	-0.7%
Other Revenue	26	23	3	11.0%
Total Operating Revenue	\$ 2,186	\$ 2,198	\$ (12)	-0.6%
Subsidy	\$ 1,230	\$ 1,230	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 1,230	\$ 1,230	\$ -	0.0%
Total Revenue	\$ 3,416	\$ 3,428	\$ (12)	-0.4%
Wages	\$ 1,766	\$ 1,734	\$ (32)	-1.8%
Fringes	778	712	(66)	-9.2%
Services	633	626	(7)	-1.2%
Purchased Transportation	-	-	-	-
Materials and Supplies	179	175	(5)	-2.6%
Energy	736	716	(20)	-2.8%
Risk Management	197	202	4	2.2%
General and Administrative	14	17	3	17.2%
Debt Service	-	-	-	-
Vehicle/Facility Lease	4	8	4	49.1%
Total Costs	\$ 4,308	\$ 4,190	\$ (118)	-2.8%
Overhead Allocation	225	225	-	0.0%
Total Revenue Less Total Costs	\$ (1,117)	\$ (987)	\$ (130)	13.2%
Net Operating Subsidy	\$ (2,347)	\$ (2,217)	\$ (130)	-5.9%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 11,838	\$ 12,369	\$ (532)	-4.3%
Other Revenue	317	118	199	168.5%
Total Operating Revenue	\$ 12,155	\$ 12,488	\$ (333)	-2.7%
Subsidy	\$ 7,379	\$ 7,379	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 7,379	\$ 7,379	\$ -	0.0%
Total Revenue	\$ 19,534	\$ 19,867	\$ (333)	-1.7%
Wages	\$ 8,733	\$ 8,843	\$ 110	1.2%
Fringes	3,336	3,449	113	3.3%
Services	3,345	3,548	203	5.7%
Purchased Transportation	-	-	-	-
Materials	1,129	1,149	20	1.7%
Energy	4,104	3,722	(382)	-10.3%
Risk Management	960	1,009	49	4.9%
General and Administrative	66	83	17	20.2%
Debt Service	-	-	-	-
Vehicle/Facility Lease	31	38	8	20.7%
Total Costs	\$ 21,703	\$ 21,840	\$ 138	0.6%
Overhead Allocation	1,126	1,126	-	0.0%
Total Revenue Less Total Costs	\$ (3,295)	\$ (3,099)	\$ (195)	-
Net Operating Subsidy	\$ (10,674)	\$ (10,478)	\$ (195)	-1.9%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONTRACT SERVICES
FIXED ROUTE
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 1,719	\$ 1,470	\$ 249	16.9%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 1,719	\$ 1,470	\$ 249	16.9%
Subsidy	\$ 2,523	\$ 2,523	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 2,523	\$ 2,523	\$ -	0.0%
Total Revenue	\$ 4,242	\$ 3,993	\$ 249	6.2%
Wages	\$ 30	\$ 34	\$ 4	12.8%
Fringes	-	-	-	-
Services	254	103	(151)	-146.7%
Purchased Transportation	2,943	3,053	110	3.6%
Materials and Supplies	-	-	-	-
Energy	516	583	68	11.6%
Risk Management	-	-	-	-
General and Administrative	0	1	1	77.8%
Debt Service	-	-	-	-
Vehicle/Facility Lease	10	10	(0)	-0.1%
Total Costs	\$ 3,753	\$ 3,784	\$ 32	0.8%
Overhead Allocation	58	58	-	0.0%
Total Revenue Less Total Costs	\$ 432	\$ 151	\$ 281	185.5%
Net Operating Subsidy	\$ (2,091)	\$ (2,372)	\$ 281	11.8%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 7,373	\$ 6,791	\$ 581	8.6%
Other Revenue	63	-	63	100.0%
Total Operating Revenue	\$ 7,436	\$ 6,791	\$ 645	9.5%
Subsidy	\$ 15,142	\$ 15,652	\$ (510)	-3.3%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 15,142	\$ 15,652	\$ (510)	-3.3%
Total Revenue	\$ 22,578	\$ 22,444	\$ 135	0.6%
Wages	\$ 156	\$ 171	\$ 16	9.0%
Fringes	-	-	-	-
Services	824	501	(323)	-64.4%
Purchased Transportation	14,937	15,182	245	1.6%
Materials	-	-	-	-
Energy	2,385	2,891	506	17.5%
Risk Management	-	-	-	-
General and Administrative	0	4	4	88.9%
Debt Service	-	-	-	-
Vehicle/Facility Lease	50	55	5	9.0%
Total Costs	\$ 18,352	\$ 18,805	\$ 452	2.4%
Overhead Allocation	288	288	-	0.0%
Total Revenue Less Total Costs	\$ 3,938	\$ 3,351	\$ 587	17.5%
Net Operating Subsidy	\$ (11,205)	\$ (12,302)	\$ 1,097	8.9%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONTRACT SERVICES
PARA TRANSIT
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 138	\$ 106	\$ 32	30.4%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 138	\$ 106	\$ 32	30.4%
Subsidy	\$ 704	\$ 704	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 704	\$ 704	\$ -	0.0%
Total Revenue	\$ 842	\$ 810	\$ 32	4.0%
Wages	\$ 25	\$ 20	\$ (5)	-24.8%
Fringes	-	-	-	-
Services	12	22	10	44.9%
Purchased Transportation	790	808	18	2.2%
Materials and Supplies	-	-	-	-
Energy	118	107	(11)	-10.1%
Risk Management	-	-	-	-
General and Administrative	0	0	0	68.3%
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	2	2	-
Total Costs	\$ 946	\$ 960	\$ 14	1.5%
Overhead Allocation	3	3	-	0.0%
Total Revenue Less Total Costs	\$ (106)	\$ (152)	\$ 46	-30.3%
Net Operating Subsidy	\$ (810)	\$ (856)	\$ 46	5.4%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 684	\$ 547	\$ 137	25.1%
Other Revenue	8	-	8	100.0%
Total Operating Revenue	\$ 692	\$ 547	\$ 145	26.4%
Subsidy	\$ 4,578	\$ 4,601	\$ (24)	-0.5%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 4,578	\$ 4,601	\$ (24)	-0.5%
Total Revenue	\$ 5,270	\$ 5,149	\$ 121	2.4%
Wages	\$ 93	\$ 102	\$ 9	9.1%
Fringes	-	-	-	-
Services	71	111	40	35.8%
Purchased Transportation	3,991	4,110	120	2.9%
Materials	-	-	-	-
Energy	570	544	(27)	-4.9%
Risk Management	-	-	-	-
General and Administrative	1	1	1	49.4%
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	9	9	-
Total Costs	\$ 4,725	\$ 4,877	\$ 152	3.1%
Overhead Allocation	13	13	-	0.0%
Total Revenue Less Total Costs	\$ 532	\$ 259	\$ 273	-
Net Operating Subsidy	\$ (4,046)	\$ (4,343)	\$ 297	6.8%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CHULA VISTA TRANSIT - CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 274	\$ 263	\$ 12	4.4%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 274	\$ 263	\$ 12	4.4%
Subsidy	\$ 400	\$ 400	\$ -	0.0%
Other Non Operating Income	(0)	(0)	-	0.0%
Total Non Operating Revenue	\$ 400	\$ 400	\$ -	0.0%
Total Revenue	\$ 674	\$ 663	\$ 12	1.7%
Wages	\$ 42	\$ 76	\$ 33	44.2%
Fringes	-	-	-	-
Services	8	11	3	30.1%
Purchased Transportation	380	410	31	7.5%
Materials and Supplies	-	-	-	-
Energy	56	86	30	35.1%
Risk Management	-	-	-	-
General and Administrative	2	3	1	39.6%
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 487	\$ 586	\$ 99	16.8%
Overhead Allocation	12	12	-	0.0%
Total Revenue Less Total Costs	\$ 175	\$ 65	\$ 110	169.1%
Net Operating Subsidy	\$ (225)	\$ (335)	\$ 110	32.9%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 1,183	\$ 1,138	\$ 46	4.0%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 1,183	\$ 1,138	\$ 46	4.0%
Subsidy	\$ 2,400	\$ 2,400	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 2,400	\$ 2,400	\$ -	0.0%
Total Revenue	\$ 3,583	\$ 3,538	\$ 46	1.3%
Wages	\$ 198	\$ 253	\$ 55	21.8%
Fringes	-	-	-	-
Services	2,084	2,176	92	4.2%
Purchased Transportation	-	-	-	-
Materials	-	2	2	-
Energy	325	444	119	26.7%
Risk Management	-	-	-	-
General and Administrative	6	11	5	49.0%
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 2,613	\$ 2,887	\$ 274	9.5%
Overhead Allocation	61	61	-	0.0%
Total Revenue Less Total Costs	\$ 909	\$ 589	\$ 320	-
Net Operating Subsidy	\$ (1,491)	\$ (1,811)	\$ 320	17.7%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
NATIONAL CITY TRANSIT
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 127	\$ 108	\$ 18	17.1%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 127	\$ 108	\$ 18	17.1%
Subsidy	\$ 178	\$ 178	\$ -	0.0%
Other Non Operating Income	0	(0)	-	0.0%
Total Non Operating Revenue	\$ 178	\$ 178	\$ -	0.0%
Total Revenue	\$ 305	\$ 286	\$ 18	6.5%
Wages	\$ 98	\$ 100	\$ 2	1.6%
Fringes	20	25	5	18.6%
Services	24	42	17	41.7%
Purchased Transportation	-	-	-	-
Materials and Supplies	11	17	7	38.8%
Energy	18	34	16	48.2%
Risk Management	19	34	15	45.1%
General and Administrative	1	14	14	95.3%
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 191	\$ 266	\$ 76	28.5%
Overhead Allocation	6	6	-	0.0%
Total Revenue Less Total Costs	\$ 108	\$ 14	\$ 94	683.7%
Net Operating Subsidy	\$ (70)	\$ (164)	\$ 94	57.5%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ 572	\$ 542	\$ 30	5.6%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 572	\$ 542	\$ 30	5.6%
Subsidy	\$ 1,067	\$ 1,067	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 1,067	\$ 1,067	\$ -	0.0%
Total Revenue	\$ 1,639	\$ 1,609	\$ 30	1.9%
Wages	\$ 518	\$ 497	\$ (21)	-4.2%
Fringes	123	123	1	0.6%
Services	142	213	71	33.3%
Purchased Transportation	-	-	-	-
Materials	50	75	25	33.0%
Energy	170	171	1	0.8%
Risk Management	133	174	41	23.8%
General and Administrative	8	74	66	89.7%
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 1,143	\$ 1,327	\$ 184	13.9%
Overhead Allocation	30	30	-	0.0%
Total Revenue Less Total Costs	\$ 466	\$ 251	\$ 215	-
Net Operating Subsidy	\$ (601)	\$ (816)	\$ 215	26.3%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CORONADO FERRY
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			%
	ACTUAL	BUDGET	VARIANCE	VARIANCE
Fare Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Subsidy	\$ 12	\$ 12	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 12	\$ 12	\$ -	0.0%
Total Revenue	\$ 12	\$ 12	\$ -	0.0%
Wages	\$ -	\$ -	\$ -	-
Fringes	-	-	-	-
Services	-	-	-	-
Purchased Transportation	12	12	-	0.0%
Materials and Supplies	-	-	-	-
Energy	-	-	-	-
Risk Management	-	-	-	-
General and Administrative	-	-	-	-
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 12	\$ 12	\$ -	0.0%
Overhead Allocation	-	-	-	-
Total Revenue Less Total Costs	\$ 0	\$ 0	\$ -	0.0%
Net Operating Subsidy	\$ (12)	\$ (12)	\$ -	0.0%

	YEAR TO DATE			%
	ACTUAL	BUDGET	VARIANCE	VARIANCE
Fare Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Subsidy	\$ 71	\$ 71	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 71	\$ 71	\$ -	0.0%
Total Revenue	\$ 71	\$ 71	\$ -	0.0%
Wages	\$ -	\$ -	\$ -	-
Fringes	-	-	-	-
Services	(0)	(0)	-	0.0%
Purchased Transportation	58	58	-	0.0%
Materials	-	-	-	-
Energy	-	-	-	-
Risk Management	-	-	-	-
General and Administrative	-	-	-	-
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 58	\$ 58	\$ -	0.0%
Overhead Allocation	-	-	-	-
Total Revenue Less Total Costs	\$ 13	\$ 13	\$ -	0.0%
Net Operating Subsidy	\$ (58)	\$ (58)	\$ -	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATION PASS THRU
COMPARISON TO BUDGET - FISCAL YEAR 2007
NOVEMBER 30, 2006
(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Subsidy	\$ -	\$ -	\$ -	-
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ -	\$ -	\$ -	-
Total Revenue	\$ -	\$ -	\$ -	-
Wages	\$ -	\$ -	\$ -	-
Fringes	-	-	-	-
Services	-	-	-	-
Purchased Transportation	-	-	-	-
Materials and Supplies	-	-	-	-
Energy	-	-	-	-
Risk Management	-	-	-	-
General and Administrative	-	-	-	-
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ -	\$ -	\$ -	-
Overhead Allocation	-	-	-	-
Total Revenue Less Total Costs	\$ -	\$ -	\$ -	-
Net Operating Subsidy	\$ -	\$ -	\$ -	-
	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Subsidy	\$ 344	\$ 344	\$ -	0.0%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 344	\$ 344	\$ -	0.0%
Total Revenue	\$ 344	\$ 344	\$ -	0.0%
Wages	\$ -	\$ -	\$ -	-
Fringes	189	189	-	0.0%
Services	156	156	-	0.0%
Purchased Transportation	-	-	-	-
Materials	-	-	-	-
Energy	-	-	-	-
Risk Management	-	-	-	-
General and Administrative	-	-	-	-
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 344	\$ 344	\$ -	0.0%
Overhead Allocation	-	-	-	-
Total Revenue Less Total Costs	\$ -	\$ -	\$ -	-
Net Operating Subsidy	\$ (344)	\$ (344)	\$ -	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ADMINISTRATION

CONSOLIDATED

COMPARISON TO BUDGET - FISCAL YEAR 2007

NOVEMBER 30, 2006

(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ -	\$ -	\$ -	-
Other Revenue	433	313	119	38.1%
Total Operating Revenue	\$ 433	\$ 313	\$ 119	38.1%
Subsidy	\$ 511	\$ 503	\$ 8	1.7%
Other Non Operating Income	(0)	-	-	100.0%
Total Non Operating Revenue	\$ 511	\$ 503	\$ 8	1.7%
Total Revenue	\$ 944	\$ 816	\$ 128	15.7%
Wages	\$ 655	\$ 518	\$ (137)	-26.5%
Fringes	299	226	(73)	-32.3%
Services	208	238	29	12.3%
Purchased Transportation	-	-	-	-
Materials and Supplies	0	0	0	54.7%
Energy	23	19	(4)	-22.1%
Risk Management	37	36	(0)	-0.6%
General and Administrative	23	56	33	58.8%
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 1,245	\$ 1,093	\$ (152)	-13.9%
Overhead Allocation	(579)	(579)	-	0.0%
Total Revenue Less Total Costs	\$ 278	\$ 302	\$ (25)	8.1%
Net Operating Subsidy	\$ (234)	\$ (201)	\$ (33)	-16.4%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ -	\$ -	\$ -	-
Other Revenue	889	729	161	22.1%
Total Operating Revenue	\$ 889	\$ 729	\$ 161	22.1%
Subsidy	\$ 3,144	\$ 3,018	\$ 126	4.2%
Other Non Operating Income	-	-	-	-
Total Non Operating Revenue	\$ 3,144	\$ 3,018	\$ 126	4.2%
Total Revenue	\$ 4,034	\$ 3,747	\$ 287	7.7%
Wages	\$ 2,754	\$ 2,565	\$ (188)	-7.3%
Fringes	1,077	978	(99)	-10.1%
Services	1,159	1,036	(123)	-11.9%
Purchased Transportation	-	-	-	-
Materials	0	2	2	90.9%
Energy	126	94	(32)	-33.6%
Risk Management	196	203	7	3.2%
General and Administrative	1,003	1,040	37	3.5%
Debt Service	-	-	-	-
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 6,315	\$ 5,918	\$ (397)	-6.7%
Overhead Allocation	(2,893)	(2,893)	-	0.0%
Total Revenue Less Total Costs	\$ 612	\$ 722	\$ (110)	15.2%
Net Operating Subsidy	\$ (2,532)	\$ (2,296)	\$ (236)	-10.3%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

**OTHER ACTIVITIES
CONSOLIDATED**

COMPARISON TO BUDGET - FISCAL YEAR 2007

NOVEMBER 30, 2006

(in \$000's)

	MONTH			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ -	\$ -	\$ -	-
Other Revenue	38	35	2	6.8%
Total Operating Revenue	\$ 38	\$ 35	\$ 2	6.8%
Subsidy	\$ 85	\$ 85	\$ -	0.0%
Other Non Operating Income	1,412	1,412	-	0.0%
Total Non Operating Revenue	\$ 1,497	\$ 1,497	\$ -	0.0%
Total Revenue	\$ 1,535	\$ 1,533	\$ 2	0.2%
Wages	\$ 53	\$ 37	\$ (16)	-42.0%
Fringes	(121)	(116)	5	-4.0%
Services	1	12	10	88.2%
Purchased Transportation	-	-	-	-
Materials and Supplies	-	3	3	-
Energy	1	1	0	5.4%
Risk Management	7	8	1	12.1%
General and Administrative	(69)	(65)	5	-7.1%
Debt Service	2,572	2,572	-	0.0%
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 2,445	\$ 2,453	\$ 8	0.3%
Overhead Allocation	2	2	-	0.0%
Total Revenue Less Total Costs	\$ (912)	\$ (922)	\$ 10	1.1%
Net Operating Subsidy	\$ (997)	\$ (1,007)	\$ 10	1.0%

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Fare Revenue	\$ -	\$ -	\$ -	-
Other Revenue	145	154	(9)	-5.7%
Total Operating Revenue	\$ 145	\$ 154	\$ (9)	-5.7%
Subsidy	\$ 509	\$ 509	\$ -	0.0%
Other Non Operating Income	7,061	7,061	-	0.0%
Total Non Operating Revenue	\$ 7,570	\$ 7,570	\$ -	0.0%
Total Revenue	\$ 7,715	\$ 7,724	\$ (9)	-0.1%
Wages	\$ 186	\$ 187	\$ 0	0.2%
Fringes	(603)	(591)	13	-2.2%
Services	46	47	2	3.9%
Purchased Transportation	-	-	-	-
Materials	-	10	10	-
Energy	4	5	2	31.2%
Risk Management	34	39	5	12.1%
General and Administrative	(344)	(336)	8	-2.4%
Debt Service	12,862	12,862	-	0.0%
Vehicle/Facility Lease	-	-	-	-
Total Costs	\$ 12,184	\$ 12,224	\$ 40	0.3%
Overhead Allocation	11	11	-	0.0%
Total Revenue Less Total Costs	\$ (4,480)	\$ (4,511)	\$ 31	0.7%
Net Operating Subsidy	\$ (4,989)	\$ (5,020)	\$ 31	0.6%

Metropolitan Transit System FY 2007 - November 2006 Financial Review

MTS Board of Directors Meeting
January 18, 2007



SAN DIEGO METROPOLITAN TRANSIT SYSTEM



COMBINED OPERATIONS NOVEMBER YEAR TO DATE HIGHLIGHTS (in 000's)

	YEAR TO DATE
COMBINED NET OPERATING SUBSIDY VARIANCE	
Operations	1,877
General Fund	(205)
Total Combined Net Operating Subsidy Variance	1,672



**COMBINED MTS TRANSIT OPERATORS
COMPARISON TO BUDGET - FY 2007
YEAR TO DATE, NOVEMBER 30, 2006
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	AMENDED BUDGET	VARIANCE	% VAR
Fare Revenue	\$30,992	\$30,733	\$259	0.8%
Other Revenue	922	545	377	69.0%
Total Operating Revenue	31,914	31,278	636	2.0%
Wages/Fringes	36,256	35,963	(293)	-0.8%
Purchased Transportation	21,000	21,442	442	2.1%
Energy	10,743	11,479	736	6.4%
Other Expenses	11,993	12,350	357	2.9%
Total Costs	79,993	81,234	1,241	1.5%
Net Operating Subsidy	(\$50,962)	(\$52,839)	\$1,877	3.6%

Metropolitan Transit System FY 2007 - November 2006 Financial Review

MTS Board of Directors Meeting
January 18, 2007





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

Agenda

Item No. 49

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

ADM 110 (PC 50101)

January 18, 2007

SUBJECT:

MTS: LEON WILLIAMS STATION DEDICATION WORKING GROUP REPORT

RECOMMENDATION:

That the Board of Directors receive a report on the efforts to date in regard to dedicating the San Diego State University (SDSU) Station to former Board Chairman Leon Williams.

Budget Impact

None with this action.

Executive Committee Recommendation

At its meeting on January 11, 2007, the Executive Committee recommended forwarding this item to the Board for approval.

DISCUSSION:

On January 26, 2006, the Board of Directors instructed the Chief Executive Officer (CEO) to form a working group to dedicate the SDSU Station to former Chairman and Board Member Leon Williams. The Board further instructed the dedication to include a visual display and plaque commemorating Mr. Williams' achievements to be located at an appropriate, highly visible location at the station. The dedication would preclude



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.

honoring anyone else at the station, and the station name would remain the "SDSU Station."

A working group was formed of representatives from MTS staff, SDSU staff, and the community. The group gained input from the City of San Diego Commission for Arts and Culture, the artist who consulted with MTS in creating the SDSU Station art, other sculptors, friends and former colleagues of Mr. Williams, and various members of the community who have expressed an interest in assisting in funding the project. The group has developed a more specific proposal for location and design of the display and is currently seeking funding. Staff will provide a report on the proposal and seek the Board's comments.



Paul C. Jablonski
Chief Executive Officer

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

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Leon Williams Station Dedication Working Group Report



Board of Directors
January 18, 2007



Working Group Proposal

- Location of the display at the SDSU Station
- Funding for the project
- Type of display
- Artist selection



Location of the Display at the SDSU Station

Considerations:

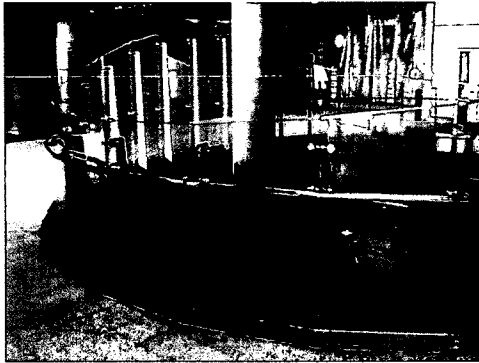
- Visibility of the display
- Impact on traffic flow, use of the station
- Ability to secure against vandalism
- Consistency with location's artistic concept/architecture/design
- Need for outside agency approvals



Various Locations Reviewed

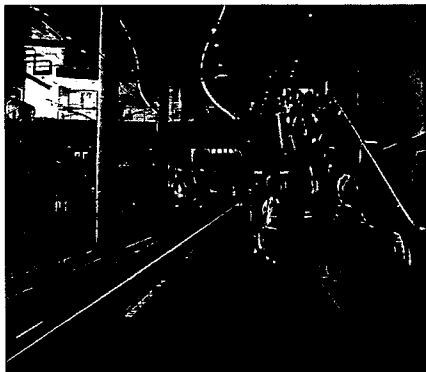






Working Group Recommendation:
Mezzanine level, far west side,
centered, against the glass





Funding for the Project

- Privately funded in its entirety
- Working group members leading the fundraising
- A few donors, with recognition on the display
- Cost based on type of display, materials used



Type of Display

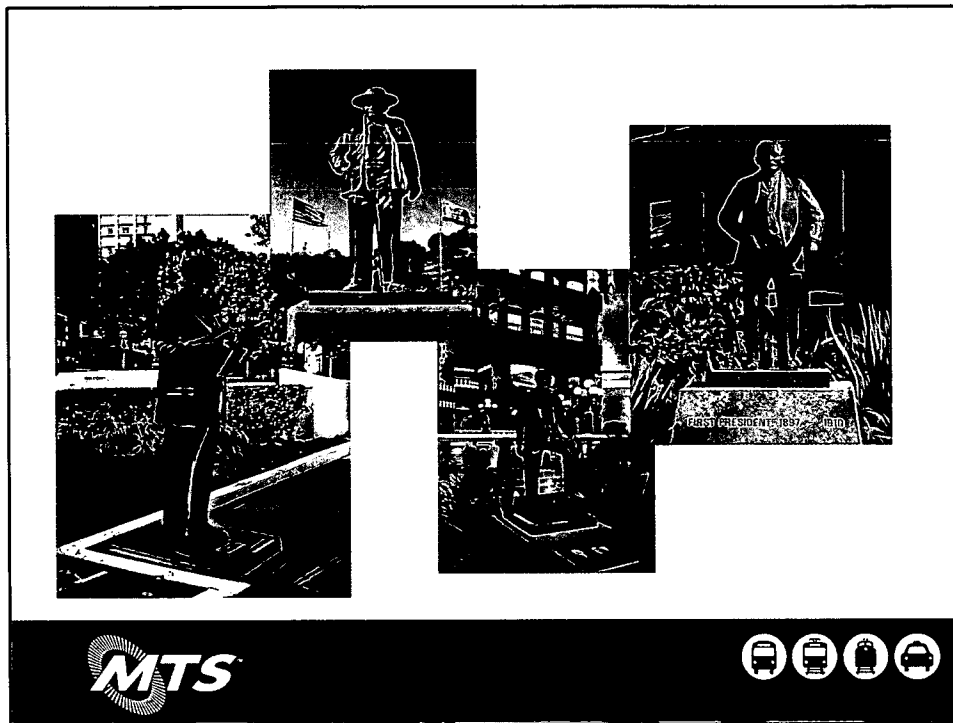
- Full-size, bronze sculpture
- Pedestal, with plaque detailing accomplishments
- Estimated cost: \$50,000
- Requirement: durability, ease of maintenance



Artist Selection

- Researched cost, process
- Working group reviewed work by a number of artists
- Wanted a local artist
- Consulted with City of San Diego Commission for Arts and Culture, Anne Mudge
- Suggested Artists: Jess Dominguez





Next Steps

- Fundraising
- Working Group to seek formal proposal from artist
- Return to Board with detailed proposal for approval
- 6-8 month turnaround on design and manufacture of sculpture, pedestal, plaque
- Installation



Leon Williams Station Dedication Working Group Report

Board of Directors
January 18, 2007





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

Agenda

Item No. 61

Chief Executive Officer's Report

ADM 121.7 (PC 50101)

January 18, 2007

In accordance with Board Policy No. 52, Procurement of Goods and Services, attached are listings of contracts and purchase orders that have been approved within the CEO's authority (up to and including \$100,000) for the period December 5, 2006, through January 8, 2007.

[gail.williams/agenda item 61](#)



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,

Agenda Item 61
Chief Executive Officer's Report

January 18, 2007

Contracts

STATE OF CALIFORNIA PARK & REC	CORRECTION DEED TO L5667.0-06	\$0.00
KNORR BRAKE	11 SUPPORT BARS	\$17,814.30
ESRI	PURCHASE SOFTWARE FOR PLANNING	\$3,777.46
9 JAY, LLC	QUITCLAIM OF SPUR TRACK EASEMENTS @ SAMP	\$0.00
K-9 GUARDIAN INC	3 DOG KENNELS	\$4,325.00
9 JAY, LLC	AGREEMENT FOR EXCHANGE OF EASEMENTS	\$0.00
NEXT G NETWORKS OF CA	LICENSE FOR FIBEROPTICS @ NOEL ST	(\$2,100.00)
NEXT G NETWORKS OF CA	LICENSE FOR FIBEROPTICS @ SORRENTO VALLE	(\$600.00)
WEST COAST CABLING	INSTALLATION OF TOSHIBA PHONE SYSTEM	\$5,979.00
UPA GROUP	ROE STELLA CONDO DEVELOPMENT	(\$3,440.00)
TRI-SIGNAL INC	FIRE ALARM SYSTEM TESTING AND MAINTENANCE	\$26,400.00
SDG&E	ROE REPLACE GAS MAIN ON COMMERICAL	(\$1,800.00)
MUSEUM OF CONTEMPORARY ART	AGREEMENT 2007 FAMILY SUNDAY SPONSORSHIP	\$0.00
SIEMENS TRANSPORTATION	10 SPIDER FLEX RINGS	\$4,051.40
COMPUTER MASTERS	COMPUTER REPLACEMENT	\$42,040.80
CALTRANS	FTA 5311 CAPITAL ASSISTANCE	(\$200,000.00)
NORTH COUNTY TRANSIT DISTRICT	SUBLEASE OF UNUSED PORTION OF TROLLEY YARD	(\$1.00)
TRANSTECHNIK CORP	REPAIR 2 DC CONVERTERS	\$4,450.00
CALIFORNIA COMMERCIAL SECURITY	KANTECH SOFTWARE UPGRADE	\$3,433.78
HITEC ENTERPRISES	20 PROXIMITY SWITCH HOUSINGS	\$13,553.87
HITEC ENTERPRISES	16 COUPLING HALVES	\$11,637.00
HITEC ENTERPRISES	12 GEAR PINION DRIVES	\$16,537.47
HITEC ENTERPRISES	177 DOG BONE BRUSHING	\$19,043.14
DELLNER COUPLERS	18 SHUCK STRUTS	\$23,952.83
TOM SAIZ	ACCOUNTING SERVICES	\$14,250.00
INTEGRATED OFFICE SYSTEMS	INCREASE ANNUAL USAGE FOR COPIER	\$2,005.80
BEAR COMMUNICATIONS	VEHICLE RADIO INSTALLATION	\$0.00
HORIZON HEALTH EAP	EMPLOYEE ASSISTANCE PROGRAM SERVICES TO IBEW EMPLOYEES	\$34,516.00

Agenda Item 61
Chief Executive Officer's Report

January 18, 2007

Contracts

PERVO TRAFFIC COMPANY	400 BUS STOP POLES	\$20,364.75
9 JAY LLC	EASEMENT FOR RAIL PURPOSES FOR MTS	\$0.00
CALTRANS	AMENDMENT TO DBE RACE-NEUTRAL PROGRAM	\$0.00
PENN MACHINE	30 BRAKE DISC ROTORS	\$28,284.38
OSMOSE RAILROAD SERVICES	BRIDGE INSPECTION SERVICES	\$35,000.00
ISE CORPORATION	DEVELOPMENT OF CNG HYBRID BUS	\$70,000.00
HITEC	CROWN WHEEL PINIONS	\$43,638.75
NEW FLYER INDUSTRIES	5 CNG TANKS	\$43,985.54
SDSU	GROUP SALES	\$1,350.00
SIEMENS TRANSPORTATION	TOOLS AND EQUIPMENT FOR BRAKE SHOP	\$94,229.00
SOLONA TECHNOLOGIES	SPAM FILTER SERVER	\$14,982.40
GIM GENERAL ENGINEERING	DEMOLITION OF YARD SUBSTATION	\$35,600.00
MTI TECHNOLOGY CORP	SERVICES FOR STORAGE SYSTEM	\$5,850.00
MANERI SIGN COMPANY	BUS STOP SIGNS	\$42,938.38
HITEC ENTERPRISES	SUPPORT ROLLER BRACKET	\$7,520.95
NORTH COUNTY TRANSIT DISTRICT	STATE LOBBYING SERVICES	\$36,500.00
GPS NORTH AMERICA	GPS LIVE TRACKING FOR K9 VEHICLES	\$5,265.48
SIEMENS TRANSPORTATION	REPAIR FOR LRV CRACKED FRAME	\$14,200.00
SDG&E	RIGHT OF ENTRY - REMOVE WIRE OVERHEAD COMMERCIAL	(\$500.00)
LAKESIDE PAINT & BODY	WINDOW FILM FOR S70 CARS	\$11,843.00
LFR, INC	RIGHT OF ENTRY - ABANDON MOTOR WELLS BLDG C	(\$1,300.00)
BASKETBALL TRAVELERS	DAY TRIPPER	(\$8,100.00)
SCHUNK GRAPHITE	800 U2 TRACTION MOTOR BRUSHES	\$42,186.28
FAIRFIELD GROSSMONT TROLLEY	DISPOSITION AND DEVELOPMENT AGREEMENT	\$0.00
AMERICA PLAZA OWNERS ASSOC	CONSENT TO APPOINTMENT COMMITTEE	\$0.00

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Chief Executive Officers Report

January 18, 2007

Purchase Orders

CROSSMAN LANDSCAPE	WEED ABATEMENT	\$7,355.83
CORPORATE EXPRESS	THOMAS GUIDE	\$944.86
PRINT SYSTEMS	MTS BUSINESS ENVELOPES	\$1,106.85
ACCESSIBLE SAN DIEGO	2 ADS FOR ACCESS GOLD MEMBERSHIP	\$6,000.00
SAN DIEGO VOICE AND VIEWPOINT	AD IN MLK SPECIAL SECTION	\$1,000.00
J&M KEYSTONE, INC	REPAIR WATER DAMAGED DRY WALL	\$2,155.39
GIRO, INC	ON SITE TRAINING EXPENSES	\$5,275.00
TROLLEY TIMES	12 MONTHS OF COLOR ADS	\$9,600.00
COAST GRAPHICS	CONTRACTOR EMPLOYEE 2007 DECALS	\$2,248.10
IKON OFFICIAL SOLUTIONS	FAX MACHINE	\$2,178.17
CITY COLLEGE	2007 SPRING SEMESTER AD	\$1,800.00
MICHAEL ALLEN AND ASSOC	20 BUS KINGS	\$2,400.00
USD-THE VISTA	2007 SPRING SEMESTER AD	\$1,310.00
GROSSMONT COLLEGE-THE SUMMIT	2007 SPRING SEMESTER AD	\$960.00
CLEAR CHANNEL COMMUNICATIONS	ROCK 105FM SPONSERSHIP	\$2,420.00
DAILY AZTEC SDSU	SPRING SEMESTER COLOR AD	\$4,875.00
UCSD GUARDIAN	WINTER/SPRING ADS 2007	\$4,380.00
USPS-HASLER	POSTAGE FOR POSTAGE METER	\$6,000.00