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04-06-07 A10:58 111

## Agenda

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

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

April 12, 2007

**▶▶ 9:00 a.m. ◀◀**

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

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#### **FINANCE WORKSHOP - 9:00 a.m.**

**ACTION**  
**RECOMMENDED**

1. Roll Call

2. MTS: FY 2008 Budget Development

Action would receive a report on the FY 2008 operating budget and provide guidance.

Possible Action

Please silence cell phones and pagers  
during the meeting



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

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

3. a. Roll Call
- b. Approval of Minutes - March 22, 2007 Approve
- c. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please furnish a copy to the Clerk of the Board.

**CONSENT ITEMS**

6. MTS: Investment Report Receive  
Action would receive a report for information.
7. MTS: Batteries for Automobiles and Buses - Contract Award Approve  
Action would authorize the CEO to award a contract to Broding's Battery Warehouse, Inc. (MTS Doc. No. B0481.0-07) for procurement of automotive and bus batteries.
8. MTS: Increased Authorization for Legal Services Approve  
Action would authorize the CEO to execute a contract amendment (MTS Doc. No. G1073.1-07) with the law firm of Butz Dunn DeSantis Bingham, APC for legal services and ratify a prior amendment entered into under the CEO's authority.

**CLOSED SESSION**

24. a. **MTS: CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION** Pursuant to California Government Code section 54956.9(a): Stella Reed v. MTS et al. San Diego Superior Court Case No. GIC878186

**NOTICED PUBLIC HEARINGS**

25. None.

**DISCUSSION ITEMS**

30. MTS: Credit Agreement Approve  
Action would approve Resolution No. 07-5 authorizing the CEO to execute a credit agreement with Bank of America.
31. MTS: Audit Committee Approve  
Action would: (1) receive recommendations from Caporicci and Larson that were presented to the Executive Committee regarding the independent audit process, including the role of Board members in the process; and (2) authorize the Executive Committee to act as the Audit Oversight Committee.

32. MTS: C Street Master Plan Update

Approve

Action would authorize the CEO to forward available information assessing the implications of the Downtown Partnership's loop proposal on trolley operations; to cooperate with stakeholders if a formal study is pursued, and to forward the following proposed positions regarding the draft C Street Master Plan to the Centre City Development Corporation (CCDC): (1) based on current analysis, CCDC staff's Design Concept 1: Minimum Dimension and Variance Concept is preferred; and (2) in the long term, 4-car trains will eventually be necessary to serve downtown.

REPORT ITEMS

45. Number not used.

46. MTS: Airport Transit Plan

Receive

Action would receive a report regarding the San Diego International Airport's proposed Airport Transit Plan.

60. Chairman's Report

Possible Action

61. Chief Executive Officer's Report

Information

62. Board Member Communications

63. Additional Public Comments Not on the Agenda

Possible Action

If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.

64. Next Meeting Date: April 26, 2007

65. Adjournment

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

Submitted by: D. Bridge

Remove On: 4/12/07

Return to Submitter: G. Williams

OR (Pick One)

Retain in Posting File: \_\_\_\_\_



**METROPOLITAN TRANSIT DEVELOPMENT BOARD  
ROLL CALL**

MEETING OF (DATE): 4/12/07

CALL TO ORDER (TIME): 9:49 a.m.

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

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

CLOSED SESSION: 9:58 a.m.

RECONVENE: 10:41 a.m.

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

ADJOURN: 12:14 p.m.

BOARD MEMBER (Alternate)				PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/>	(Hueso)	<input type="checkbox"/>		11:47 a.m. during AI 32
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"/>		
HANSON-COX	<input type="checkbox"/>	(Lewis)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
MAIENSCHIN	<input type="checkbox"/>	(Hueso)	<input type="checkbox"/>		<input checked="" 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"/>		11:53 a.m. during AI 32
ROBERTS	<input checked="" type="checkbox"/>	(Cox)	<input type="checkbox"/>		
RYAN	<input checked="" type="checkbox"/>	(B. Jones)	<input type="checkbox"/>		
YOUNG	<input checked="" type="checkbox"/>	(Hueso)	<input 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*  
*Jeff Williams*

METROPOLITAN TRANSIT DEVELOPMENT BOARD  
FINANCE WORKSHOP

ROLL CALL

MEETING OF (DATE): 4/12/07

CALL TO ORDER (TIME): 8:58 a.m.

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

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

CLOSED SESSION: \_\_\_\_\_

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

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

ADJOURN: 9:49 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/> (Hueso) <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"/> (Hueso) <input type="checkbox"/>		
HANSON-COX	<input type="checkbox"/> (Lewis) <input type="checkbox"/>		<input checked="" type="checkbox"/>
MAIENSCHIN	<input type="checkbox"/> (Hueso) <input type="checkbox"/>		<input checked="" 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"/>		
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"/>	9:07 a.m. during AI 2	
ZARATE	<input type="checkbox"/> (Parra) <input type="checkbox"/>		<input checked="" type="checkbox"/>

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

*Gail McCallister*

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

*David J. Williams*

**NOT TURNED IN TO ACCOUNTING FOR THE PAYMENT OF FEES. ONLY THE ROLL CALL FOR THE FULL BOARD MEETING ON THIS DATE WAS TURNED IN FOR PAYMENT OF FEES.**

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

March 22, 2007

MTS  
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

1. Roll Call

Chairman Harry Mathis called the meeting to order at 9:01 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Monroe moved to approve the minutes of the March 8, 2007, Board of Directors meeting. Mr. Rindone seconded the motion, and the vote was 11 to 0 in favor.

3. Public Comment

*Donna Erickson:* Ms. Erickson handed out a story from the January 2007 Saint Paul's Manor newsletter about riding buses. She advised the Board that she was speaking as the representative of the Transportation Committee of the Linda Vista Planning Group. She stated that members of the group have been asking her if the bonus program was implemented and bonuses paid. She stated they would also like to know if a performance incentive program will be included in the FY 08 budget. Chairman Mathis stated that she could be put in touch with someone who could answer her questions.

CONSENT ITEMS

6. MTS: Property Insurance Renewal (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to renew the property insurance coverage for MTS, SDTC, and SDTI with the California State Association of Counties (CSAC) Property Insurance Program, effective March 31, 2007, through March 31, 2008, with a basic coverage deductible of \$25,000, \$100,000 for collision on buses and light rail vehicles, and \$1,500,000 on roads, bridges, and tunnels.

7. MTS: Light Rail Vehicle Tires – Contract Award (CIP 11167-0200)

Recommend that the Board of Directors authorize the CEO to execute a four-year contract (MTS Doc. No. L0805.0-07 – Attachment A of the agenda item) with Siemens Transportation Systems to procure light rail vehicle tire kits for SDTI.

8. MTS: Audit Report on Fixed-Asset Accounting (LEG 492, PC 50121)

Recommend that the Board of Directors receive the internal audit report on the fixed-asset accounting process.

9. MTS: Liability Insurance Renewal (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to ratify and confirm the placement of the liability insurance policy (limits of \$75 million less a \$2 million self-insurance retention) at an annual cost of approximately \$2,248,524, effective March 1, 2007, through March 1, 2008.

10. MTS: Liability Claims Management Services – Contract Amendment (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to enter into a contract amendment with McDowell Adjustment Company (MTS Doc. No. G0848.3-03, Attachment A of the agenda item) to provide liability claims administration services, supervision, and support of the self-insurance program for a term of up to one year.

11. MTS: Workers' Compensation Claims Management Services – Contract Amendment  
(LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to enter into a contract amendment with Hazelrigg Risk Management Services (MTS Doc. No. G0843.1-03, Attachment A of the agenda item) to provide workers' compensation claims administration services, supervision, and support of the self-insurance program.

12. MTS: Policies and Procedures No. 54: Rules of Procedure for MTS Administrative Hearings  
(LEG 405)

Recommend that the Board of Directors enact Policy No. 54 (Attachment A of the agenda item) to establish Rules of Procedure for MTS administrative Hearings.

13. MTS: Follow-Up Report on 2006 Internal Audit Recommendations (LEG 492, PC 50121)

Recommend that the Board of Directors receive a follow-up report on 2006 internal audit recommendations.

14. MTS: Engineering Services for H Street Trolley Station Hazardous Waste Contamination Investigation – Contract Amendment (ADM 160.2, PC 50788)

Recommend that the Board of Directors (1) ratify the CEO's previous authorization of \$50,935 for Work Order No. 06.42; and (2) authorize the CEO to execute Amendment No. 2 (in substantially the same form as Attachment A of the agenda item) to Work Order No. 06.42 (MTS Doc. No. L0606.6-02) with Berryman & Henigar, not to exceed \$69,282.00, for engineering services for the investigation of hazardous waste contamination at the H Street Trolley Station.

Recommended Consent Items

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

CLOSED SESSION:

24. Closed Session Items (ADM 122)

The Board convened to Closed Session at 9:06 a.m.

- a. MTS: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a) National Railroad Passenger Corporation (Amtrak) v. San Diego Trolley, Inc. Claim No. TL10339906
- b. MTS: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a) City of National City v. Metropolitan Transit System (Superior Court Case No. GIC 880322)

The Board reconvened to Open Session at 9:21 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 General Counsel.
- b. The Board received a report. The City of National City representative was not present for the discussion of this item.

NOTICED PUBLIC HEARINGS

25. There were no Noticed Public Hearings.

DISCUSSION ITEMS

30. MTS: Second Contract Award for MTS Legal Services (LEG 490, PC 50121)

Ms. Tiffany Lorenzen, MTS General Counsel, explained that staff had issued a second Request for Proposals for Legal Services and reviewed the process that was used to arrive at an overall score for each firm's proposal. She reported that each firm that received a score over 70 was put on the list of approved attorneys. She reviewed the criteria on which the firms were ranked and the weighting of each. She reported that two were disqualified and one did not meet the pass/fail criteria. She stated that MTS, if this contract award is approved, will now have access to attorneys with railroad operations experience and taxicab experience. She added that having additional attorneys on the list also brought the average rate down. She stated that staff's recommendation is contingent upon no protest being received by March 27, 2007, and added that she did not anticipate that any protests would be submitted.

In response to a question from Mr. Jones, Ms. Lorenzen reported that the same three firms that did not qualify initially did not qualify again. In response to a question from Mr. Monroe, she reported that the evaluation committee consisted of herself, Cliff Telfer (MTS Chief Financial Officer), Carmen Naranjo (Risk Administrator), Jim Dow (Risk Manager), and Mike Ceragioli (Procurement Officer). Ms. Lorenzen advised Mr. Ewin that MTS now has access to four firms with transit-oriented development experience. She added that MTS could also solicit additional proposals if experience outside the purview of the approved firms is needed. In response to a question from Mr. Young, Ms. Lorenzen reported that she runs a conflict check before an attorney is asked to work on a case.

Action Taken

Mr. Monroe moved to authorize the CEO or appropriate staff persons to execute contracts on an as-needed basis to attorneys and firms from the second prequalified list (Attachment A of the agenda item) for MTS and its subsidiaries contingent upon no protests being received by March 27, 2007. Mr. Emery seconded the motion, and the vote was 14 to 0 in favor.

REPORT ITEMS

45. MTS: 2006 Year-End Security Report (OPS 970.11, PC 50102)

Mr. Bill Burke, SDTI Director of Transit System Security, reviewed the 2006 Year-End Security Report for 2006. He reviewed statistics for passenger inspections, incidents, SWARM activities, and arrests. He reported that SWARM activities have also been conducted in plain clothes for the last month or two and explained that officers have badges on chains that they pull out once they board the trolley. He added that a positive response is being received from trolley patrons in response to SWARM activities. He pointed out that the occurrence of both Part I and II incidents has remained fairly level since 2003. Mr. Ewin and Mr. Jones requested statistics for each of their cities. Ms. Hanson-Cox suggested that staff fax statistics to each Board member for their respective cities. Mr. Burke also reviewed how grant funding, primarily provided by the Department of Homeland Security through its Transit Security Grant Program, has been utilized. He discussed the features of some of the closed-circuit television (CCTV) installations. He also reviewed the details of grants being pursued for 2006.

In response to a question from Mr. Ewin, Mr. Burke reported that enforcement of the recently approved no-smoking ordinance cannot begin until signage is in place. Mr. Jablonski, MTS Chief Executive Officer, reported that SANDAG is in the process of requesting bids for this signage, which is being funded by Supervisor Ron Roberts' office and the American Lung Association. Mr. Rob Schupp, Director of Marketing and Communications, anticipated that the signs should be ordered within the next couple of weeks. He added that MTS will be utilizing youth groups, including students from Hilltop High who were volunteered by Mr. Rindone, to handle placing the signage.

In response to a question from Mr. Emery, Mr. Burke reported that the dog handler who was recently trained and left SDTI's employment was a five-year employee. He stated that SDTI asks prospective dog handlers for a five-year commitment. He added that contract security personnel now have a five-year pay progression, which should have a positive impact on SDTI's ability to retain these particular employees.

In response to a question from Mr. Monroe, Mr. Burke stated that he is confident that the inspection statistics presented to the Board are accurate. He stated that an in-the-field audit was recently conducted to affirm these numbers. He confirmed for Mr. Monroe that code compliance activities are as active on the weekends as weekdays and explained how work schedules are coordinated to ensure that is possible. Mr. Burke advised Mr. Jones that each code inspection officer is required to do 1,000 fare inspections per day.

In response to a question from Mr. Faulconer, it was agreed that staff would determine how much of the fines levied as a result of citations is funneled back to MTS. Mr. Burke reported that many times the fine is equal to the amount of the fare. Mr. Faulconer stated that he would like to see the amount of the fines and the amount collected. Ms. Lorenzen pointed out that people who are cited are prosecuted by the City Attorney's office, and MTS gets only a small portion of the fine that is levied. She stated that this varies according to the regulations of the

member city in which the citation was issued. Mr. Faulconer stated that he would like to see a comparison of the cost of enforcing fares compared to the amount of money recovered. Mr. Ewin asked if there would be any benefit to sending letters to the presiding judges informing them that levying fines that are equal to the fare does not fulfill civic duty and fairness to the public and does not offset MTS's burden for enforcing fares. He suggested a simple fact sheet. Ms. Lorenzen stated that she would look into this.

Mr. Young stated he would like to see the crime statistics broken down by station, and felt that grant monies should be pursued on this basis. Mr. Burke pointed out that funding from Homeland Security comes with restrictions on its use and cannot be used to deal with criminal issues. Mr. Young felt that staff could be more creative in identifying funding with no such restrictions. He suggested an ad hoc committee come back to the Board prior to the semiannual security report with recommendations for dealing with funding for and crime issues at particular stations. Mr. Jablonski directed staff to include the requested information in future reports, along with the ranking of the stations, which already exists, by community. Mr. Jones clarified that he would like to see the information by station and by community. Mr. Jablonski reported that MTS and North County Transit District anticipate receiving about \$20 million to \$30 million from the recent passage of Proposition 1B. He stated that another bill is in the Senate that would appropriate security dollars that could be available as early as next year. He added that these funds would not carry the same type of restrictions as Homeland Security funding. Mr. Jablonski stated that some member cities have residual Transportation Development Act funding that could be used to address these issues as well.

#### Action Taken

Mr. Ewin moved to receive this report for information. Mr. Young seconded the motion, and the vote was 13 to 0 in favor.

#### 46. MTS: Trolley Dances 2006 Recap (MKPC 620.8)

Ms. Judy Leitner, Marketing Manager, introduced Ms. Jean Isaac, San Diego Dance Theatre Director, and Sharon Hancock, Program Director. She then presented a recap of Trolley Dance activities during 2006. She stated that Trolley Dances has been named *San Diego's Best Annual Art Event*. She added that this program generates extensive local and national media coverage and introduces many people to the art of dance and the trolley, and introduces art to trolley patrons. She also reviewed the results of a survey of the people who attended the Trolley Dance program during 2005. She stated that, according to survey results, 13 percent rode the Trolley in order to see the program, and 25 percent were riding for the first time.

Mr. Young made positive comments about how this program was received at the Euclid Trolley Center. He added that this type of activity will get people excited about riding the Trolley. Ms. Isaac reported that the program costs \$55,000 per year and added that they have applied to foundations for financial support. In response to a question from Mr. Jones, Ms. Isaac reported that it is a challenge to ensure that everyone pays admission in such a public venue. She reported that there are presales and group sales, and trolley riders are offered a reduced rate. Ms. Leitner stated that if you are there as a trolley rider, you can observe, and there is no additional charge. In response to another question from Mr. Jones, Ms. Leitner reported that MTS provides the fare media and some advertising for this program, and the program provides MTS with payment for each adult that pays for the program.

Action Taken

Mr. Emery moved to receive this report for information. Ms. Atkins seconded the motion, and the vote was 12 to 0 in favor.

60. Chairman's Report

There was no Chairman's Report.

61. Chief Executive Officer's Report

*Federal Transit Administration (FTA) Quarterly Report Meeting:* Mr. Jablonski reported that he traveled to San Francisco for the FTA Quarterly Meeting on Monday, March 19, and was able to resolve a two-year issue related to Buy America and MTS's S70 trolley car. He also reported that MTS was able to confirm that the Mission Valley East Project will receive Congestion Mitigation and Air Quality (CMAQ) funding for the third year of operation (\$4.5 million), even if proposed guidelines are approved to limit CMAQ funding to the first two years of a new project.

*California Transit Association – Transit Lobby Day:* Mr. Jablonski advised the Board that he had attended Transit Lobby Day in Sacramento, and he was a group leader for a group that collectively had 11 different meetings with legislators. He reported that, when Proposition 1B passed, the Governor made the assumption that he could fund general State expenses out of State Transit Assistance (STA) funds (\$1.1 billion). He reported that the singular message that was passed on to legislators was the benefit of them building a coalition to get STA funding reinstated in the rewrite of the budget. He stated that legislative offices were attentive and seemed to understand the impact the loss of STA funds would have on transit.

He also summarized two bills currently under consideration by the California legislature as follows: (1) Mr. Nunez, Speaker of the Assembly, bond issue for \$3.6 billion for rehabilitation of transit infrastructure. (Blue Line is this type of project.); and (2) Senator Parada, \$1 billion for safety and security, which will set up the appropriations for the bond dollars. Mr. Jablonski stated that the California budget is short \$3.3 billion, and it was stressed during meetings that it was unfair for transit to shoulder one-third of that shortfall. He stated that Transit Lobby Day participants discussed the possibility of having the legislative delegation send a letter regarding this matter to Senator Ducheny, who is on the Senate Budget Committee.

62. Board Member Communications

*APTA Legislative Conference:* Mr. McLean reported on his experiences at the APTA Legislative Conference, also attended by representatives of SANDAG and North County Transit. He stated that SANDAG prepared an extensive and thorough report on San Diego projects, including Blue Line rehabilitation, which was passed to each legislative office with which meetings were held. He added that Bill Millar, APTA's President, made a pitch for Homeland Security funding for transit. He also reported that a meeting was held with a SAFETEA-LU committee of five members who travel around the country to determine needs.

*Partnership with Coca-Cola and Symphony:* Ms. Atkins thanked MTS for its recent San Diego Symphony event in City Heights. She stated that it was an excellent program, and that the musicians established a good rapport with the younger members of the diverse audience that attended. She added that she is quite impressed with how the partnership with the Symphony and Coca-Cola is working.



*Mother Goose Parade:* Ms. Hanson-Cox reported that she has been selected as President of the Mother Goose Parade Association and is working to get information about the parade on-line. She stated that her goal is to make this parade the second largest parade in the country after the Rose Bowl. She reported that she will be contacting each jurisdiction about how they can help.

*Grossmont Trolley Station Joint Development Project:* Mr. Ewin stated that pipes have been laid in the ground, and this project is ahead of schedule.

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, April 12, 2007, with a Finance Workshop at 8:00 a.m. directly followed by the regular Board meeting.

65. Adjournment

Chairman Mathis adjourned the meeting at 10:50 a.m.

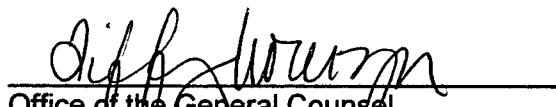


Chairperson  
San Diego Metropolitan Transit System  
Filed by:



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](mailto:gail.williams/minutes)

**METROPOLITAN TRANSIT DEVELOPMENT BOARD  
ROLL CALL**

MEETING OF (DATE): 3/22/07

CALL TO ORDER (TIME): 9:01 a.m.

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

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

CLOSED SESSION: 9:06 a.m.

RECONVENE: 9:21 a.m.

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

ADJOURN: 10:50 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>	9:06 a.m. during AI 24	
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"/>		10:21 a.m. during AI 46
HANSON-COX	<input checked="" type="checkbox"/> (Lewis) <input type="checkbox"/>		
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"/>		
ROBERTS	<input type="checkbox"/> (Cox) <input checked="" type="checkbox"/>	9:06 a.m. during AI 24	
RYAN	<input type="checkbox"/> (B. Jones) <input checked="" type="checkbox"/>		
YOUNG	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>	9:06 a.m. during AI 24	10:43 a.m. during AI 60
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

*Diffusion*



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

## Agenda

## Item No. 2

### MTS OPERATORS FINANCE WORKSHOP

FIN 310.1 (PC 50601)

April 12, 2007

#### SUBJECT:

MTS: FY 2008 BUDGET DEVELOPMENT

#### RECOMMENDATION:

That the MTS Board of Directors receive a report on the FY 2008 operating budget and provide guidance.

#### Budget Impact

None at this time.

#### DISCUSSION:

##### FY 2008 REVENUES

Attachments A through D provide the latest projection of MTS's fiscal year 2008 operating revenues, nonoperating revenues, and statistics. As indicated within Attachment A, the total recurring and nonrecurring revenues (excluding debt service and lease/leaseback revenues) for operating purposes increased \$6,586,000 or 3.1%.

#### Fiscal Year 2008 Operating Revenue

Attachment B provides detailed preliminary operating revenue projections by operator for fiscal year 2008, which are based upon the projected operating fiscal year 2008 statistics.

Combined passenger revenues are projected to increase \$1,391,000 or 1.9 percent compared to fiscal year 2007 midyear levels. Transit services are projected to contribute \$381,000, rail operations are projected to produce an additional \$753,000, Multimodal Operations is projected to add \$1,026,000, Chula Vista Transit is adding \$124,000, and National City Transit's (-\$892,000) operating revenue is absorbed by other operators in fiscal year 2008.



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.

Other income, including advertising and contracted services revenue, is projected to increase by \$73,000 or 1.9%.

Through a collaborative effort, MTS, North County Transit District (NCTD), and the San Diego Association of Governments (SANDAG) are completing a thorough review of the regional fare structure. One aspect of this extensive effort includes simplifying and analyzing the deeply discounted pass fare structure. While there is no proposal to increase fares at this time, staff will present their findings and proposals to the Board in the first part of next fiscal year.

#### Fiscal Year 2008 Nonoperating Revenue

As indicated within Attachment A, recurring and nonrecurring revenues are projected to rise \$6,586,000 or 3.1 percent. This assumes the stable \$23,200,000 usage of preventative maintenance (operations) rather than capital purchases as has been done historically. These funds are then not available for capital needs.

The relatively modest increase is due to the following:

- Federal levels for operating purposes have increased by \$1,011,000. This is primarily driven by additional Jobs Access and Reverse Commute (JARC) funds secured for fiscal year 2008 (\$786,513) as well as additional federal 5311 funds supporting MTS rural services (\$224,000 more than FY 07 midyear levels).
- Transportation Development Act (TDA) revenues are projected to increase by \$3,421,000 or 4.3%.
- In fiscal year 2007, the total amount of (State Transit Assistance) STA funds totaled \$28,633,136. Internally, MTS distributed \$11.0 million to the operating budget (based upon the "recurring" portion of STA) and just over \$17.6 million to the capital budget (based upon the spillover funding and Proposition 42 payback). STA funding levels are projected to decrease compared to fiscal year 2007 midyear levels to \$8,390,000 in FY 08. This is \$2,636,000 less than fiscal year 2007 midyear budgeted recurring funding levels and over \$20.2 million less than the total STA funding from 2007. It is still unknown whether spillover money and the Proposition 42 payback are expected to be included in the STA allocation. As the latest state budget proposal has it excluded currently, MTS has not included this funding source in the current budget projection. STA funding levels could change as the budget process moves forward at the state level.
- Other state revenues are projected to increase to \$2,193,000, which is an increase of approximately \$15,000. MediCal (\$2,000,000) and Caltrans mitigation funding for Sorrento Valley (\$193,000) are the components of this revenue category.
- Total fiscal year 2008 TransNet subsidy revenues are projected at \$20,031,000 (3.4%). This is compared to the total fiscal year 2007 levels at \$19,369,000. In fiscal year 2007, the MTS Board approved a shift of \$2,019,000 in TransNet recurring revenues to the fiscal year 2008 Capital Improvement Program (CIP).
- Other local subsidies are projected to decrease by approximately \$38,000 down to \$1,368,000. The City of San Diego (\$429,000), Air Pollution Control District (APCD) (\$539,000), and FasTrak-generated revenues (\$400,000) represent the total. Note that the original FasTrak funding levels were \$1,020,000 in fiscal year 2007 dropping to \$450,000 as approved at the fiscal year 2007 midyear review.

## FY 2008 EXPENSES

Attachment E contains the total proposed revenues and expenses for the 2008 fiscal year. As indicated within the schedule, fiscal year 2008 combined expenses total \$242.1 million, which is an increase from the FY 2007 amended budget of \$1,150,000 (0.5%). As indicated within Attachment F, excluding nonpension bond debt service expenses, the operational expense increase totals \$8.8 million or 4.1 percent.

Attachment G details each operating division and each administrative department in detail. Total operations are increasing by \$7 million or 3.6%, and other operations are increasing \$88,000 or 9.9%. Total administration is increasing \$1.9 million or 13.1%. The administrative increase is primarily due to continued consolidation of administrative functions (including risk administration and scheduling), additional administrative positions supporting operations (see Attachment H), additional information technology projects requiring external support, additional outside services supporting joint-development activities for MTS-owned properties, and normal increases within wages, fringes, and nonpersonnel expenses.

Attachment H includes the proposed position table for fiscal year 2008. While there are an additional 14.4 full-time equivalent (FTE) positions added to the fiscal year 2008 operating budget from fiscal year 2007 midyear levels, 6.2 FTE positions were funded through budgetary savings in nonpersonnel expenses. The net additional FTE positions total 8.2 requiring additional funding sources.

## FY 2008 BUDGET PROCESS

With the low percentage of funding increases in fiscal year 2008, MTS staff originally had a significant challenge to satisfy the goal of balancing the operating budget with recurring revenues. Our original shortfall projection totaled approximately \$3.5 million to \$4.0 million compared with the fiscal year 2007 original budget. After MTS staff analyzed all aspects of the organization to achieve budgetary savings, a draft budget was presented to the Budget Development Committee with total revenues exceeding expenses by \$378,000. The Budget Development Committee provided guidance to increase the energy budget by the \$378,000 to achieve a balanced budget. Attachments E through F provide this balanced budget.

## FY 2008 POLICY ISSUES/BUDGET CHALLENGES

- Energy Rates/Assumptions

Staff has continued to analyze both compressed natural gas (CNG) and diesel rate assumptions. At the last Finance Workshop, staff projected rates for CNG and diesel at \$1.29 and \$2.19, respectively. Over the past month and a half, futures have spiked within diesel and have relatively remained at the same levels over a period of four weeks. Staff presented rates to the Budget Development Committee at \$1.32 per therm for CNG and \$2.45 per gallon for diesel. The Budget Development Committee provided guidance to increase energy by \$378,000. The current rates included within this proposed budget are \$1.36 per therm for CNG and \$2.45 per gallon for diesel. Within staff's analysis, current trends and future projections were used to graph out MTS's best projections for fiscal year 2008. Attachments I and J graph the results of these analyses. While these trends incorporate cyclical factors and projected demands, the averages of these rates will be incorporated into the FY 2008 budget.

The approximate impact of these adjusted rates from our previous projection was an additional \$1,328,000.

Attachment K analyzes the operating cost impacts on a \$0.01 change in price for CNG and diesel. The attachment also includes various examples of energy fluctuations and the MTS average cost per mile to run service through the varying energy types.

- FasTrak

With the SANDAG Board of Directors approval of the proposed changes to operations of the FasTrak Program, MTS's share of revenues supporting Commuter Express service along the Interstate 15 corridor has been reduced to \$400,000 for fiscal year 2008. This has been reduced from the approximate \$1 million level as has been generated in fiscal years past.

The amount of service that MTS provides along that corridor has not changed materially as the funding levels have decreased.


- State Transit Assistance (STA)

Staff has updated the Budget Development Committee and the MTS Board of Directors over the past few months regarding the STA reduced funding levels in fiscal year 2008. With the overestimation of STA in fiscal year 2007 at the state level, total STA has been reduced statewide to pay back this previous fiscal year overestimation. The impact upon MTS is approximately \$2.6 million.

The governor is exploring other options to pay back this differential, but currently no resolution has taken place. Staff will continue to update the Board as information is obtained.

- Internalizing Third-Party Administration

Within the current proposed budget, MTS has eliminated outside services for third-party administration of its liability claims, which will result in the addition of one staff member to assist the current staff. The budgetary savings will be approximately \$200,000.



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Paul C. Jablonski  
Chief Executive Officer

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- Attachments:
- A. Operating Budget Revenue Summary FY 08 – Functional Version
  - B. Operating Budget Operating Revenue Detail FY 08
  - C. Operating Budget Nonoperating Revenue Detail FY 08
  - D. Operating Budget Operating Statistics FY 08
  - E. FY 08 Operating Budget – Revenue/Expense Format
  - F. FY 08 Operating Budget – Revenue/Expense Format (Excluding Debt Service)
  - G. FY 08 Operating Budget – Divisional/Departmental Analysis Format
  - H. FY 08 Position Information (Summary Format)
  - I. FY 08 CNG Price Per Therm Projection Graph
  - J. FY 08 Diesel Price Per Gallon Projection Graph
  - K. FY 08 Energy Impact on Operations

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATING BUDGET  
REVENUE SUMMARY  
FISCAL YEAR 2008**

	<b>BUDGET FY07</b>	<b>PROJECTED FY07</b>	<b>BUDGET FY08</b>	<b>DOLLAR CHANGE BUDGET/ PROJECTED</b>	<b>% CHANGE BUDGET/ PROJECTED</b>
<b>OPERATING REVENUE</b>					
PASSENGER REVENUE	70,865,316	71,970,598	73,361,866	1,391,268	1.9%
ADVERTISING REVENUE	850,000	900,000	925,000	25,000	2.8%
CONTRACT SERVICE REVENUE	30,000	30,000	30,000	-	-
OTHER INCOME	2,407,008	2,883,842	2,932,179	48,337	1.7%
<b>Total Operating Revenue</b>	<b>74,152,324</b>	<b>75,784,440</b>	<b>77,249,045</b>	<b>1,464,606</b>	<b>1.9%</b>
<b>SUBSIDY REVENUE</b>					
FEDERAL REVENUE	23,217,500	23,417,500	24,428,369	1,010,869	4.3%
TRANSPORTATION DEVELOPMENT ACT (TDA)	78,943,303	78,943,303	82,364,615	3,421,312	4.3%
STATE TRANSIT ASSISTANCE (STA)	11,026,100	11,026,100	8,389,706	(2,636,394)	-23.9%
STATE REVENUE - OTHER	617,892	2,178,039	2,192,858	14,819	0.7%
TRANSNET	17,349,649	17,349,649	20,030,544	2,680,895	15.5%
OTHER LOCAL SUBSIDIES	1,975,918	1,405,918	1,367,918	(38,000)	-2.7%
<b>Total Subsidy Revenue</b>	<b>133,130,362</b>	<b>134,320,509</b>	<b>138,774,011</b>	<b>4,453,501</b>	<b>3.3%</b>
<b>NON RECURRING REVENUES</b>					
FEDERAL CMAQ FOR MISSION VALLEY EAST	4,569,305	4,569,305	5,149,292	579,987	12.7%
OTHER RESERVES (TAXICAB/SD&AE)	104,641	136,778	224,647	87,869	64.2%
<b>Total Non Recurring Revenues</b>	<b>4,673,946</b>	<b>4,706,083</b>	<b>5,373,939</b>	<b>667,856</b>	<b>14.2%</b>
<b>SUBTOTAL RECURRING/NONRECURRING OPERATIONS</b>	<b>211,956,632</b>	<b>214,811,032</b>	<b>221,396,995</b>	<b>6,585,963</b>	<b>3.1%</b>
<b>DEBT SERVICE/LEASE LEASEBACK REVENUE</b>	<b>28,316,087</b>	<b>28,316,087</b>	<b>20,686,070</b>	<b>(7,630,017)</b>	<b>-26.9%</b>
<b>GRAND TOTAL REVENUES</b>	<b>240,272,719</b>	<b>243,127,119</b>	<b>242,083,065</b>	<b>(1,044,054)</b>	<b>-0.4%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATING BUDGET  
OPERATING REVENUE  
FISCAL YEAR 2008**

	<b>BUDGET FY07</b>	<b>PROJECTED FY07</b>	<b>BUDGET FY08</b>	<b>DOLLAR CHANGE BUDGET/ PROJECTED</b>	<b>% CHANGE BUDGET/ PROJECTED</b>
<b><u>Passenger Revenue</u></b>					
Transit Services	22,074,862	22,264,336	22,644,928	380,592	1.7%
Rail Operations - Base	24,026,645	23,312,466	24,088,245	775,778	3.3%
Rail Operations - MVE	4,550,694	4,550,694	4,527,768	(22,927)	-0.5%
MCS - Fixed route	14,939,000	16,677,365	17,663,366	986,001	5.9%
MCS - Paratransit	1,468,000	1,761,107	1,800,985	39,878	2.3%
Chula Vista Transit	2,506,116	2,512,924	2,636,576	123,651	4.9%
National City Transit	1,300,000	891,705	-	(891,705)	-100.0%
Total Passenger Revenue	<u>70,865,316</u>	<u>71,970,598</u>	<u>73,361,866</u>	<u>1,391,268</u>	<u>1.9%</u>
<b><u>Advertising Revenue</u></b>					
Transit Services	850,000	900,000	925,000	25,000	2.8%
Total Advertising Revenue	<u>850,000</u>	<u>900,000</u>	<u>925,000</u>	<u>25,000</u>	<u>2.8%</u>
<b><u>Contract Service Revenue</u></b>					
Transit Services	30,000	30,000	30,000	0	-
Total Contract Service Revenue	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>	<u>-</u>
<b><u>Other Income</u></b>					
Transit Services	160,000	84,000	10,000	(74,000)	-88.1%
Rail Operations - Base	282,000	622,000	525,500	(96,500)	-15.5%
Multimodal Operations - Fixed route	-	63,445	-	(63,445)	-100.0%
Multimodal Operations - Paratransit	-	7,500	-	(7,500)	-100.0%
Administrative	599,110	741,000	642,810	(98,190)	-13.3%
Land Management	580,897	580,897	968,869	387,971	66.8%
Taxicab	685,000	685,000	685,000	0	-
SD&AE	100,000	100,000	100,000	0	-
Total Other Income	<u>2,407,008</u>	<u>2,883,842</u>	<u>2,932,179</u>	<u>48,337</u>	<u>1.7%</u>
<b>TOTAL OPERATING REVENUE</b>	<u><u>74,152,324</u></u>	<u><u>75,784,440</u></u>	<u><u>77,249,045</u></u>	<u><u>1,464,606</u></u>	<u><u>1.9%</u></u>



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATING BUDGET  
NON OPERATING REVENUE  
FISCAL YEAR 2008**

	BUDGET FY07	PROJECTION FY07	BUDGET FY08	DOLLAR CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b><u>FEDERAL</u></b>					
FTA 5307 - Planning	17,500	17,500	17,500	-	-
FTA 5307 - CMAQ MVE	4,569,305	4,569,305	5,149,292	579,987	12.7%
FTA 5307/5309 - Preventative Maintenance	23,200,000	23,200,000	23,200,000	-	-
JARC	-	-	786,513	786,513	-
FTA 5307 - Debt Service	3,062,400	3,062,400	6,320,720	3,258,320	106.4%
FTA 5311 / 5311(f) - Rural	-	200,000	424,356	224,356	112.2%
Total Federal Funds	30,849,205	31,049,205	35,898,381	4,849,176	15.6%
<b><u>TRANSPORTATION DEVELOPMENT ACT (TDA)</u></b>					
TDA - Article 4.0 MTS Area	67,286,573	67,286,573	76,689,375	9,402,801	14.0%
TDA - Article 4.0 MTS Area - Debt Service	765,600	765,600	1,580,180	814,580	106.4%
TDA - Article 4.5 (ADA)	3,959,823	3,959,823	4,438,288	478,465	12.1%
TDA - Article 8.0	1,413,499	1,413,499	1,236,953	(176,547)	-12.5%
TDA - 10% and Administration	6,283,408	6,283,408	-	(6,283,408)	-100.0%
Total TDA Funds	79,708,903	79,708,903	83,944,795	4,235,892	5.3%
<b><u>STATE TRANSIT ASSISTANCE (STA)</u></b>					
STA - Discretionary	7,315,670	7,315,670	5,719,197	(1,596,473)	-21.8%
STA - Formula	3,710,430	3,710,430	2,670,509	(1,039,921)	-28.0%
Total State Funds	11,026,100	11,026,100	8,389,706	(2,636,394)	-23.9%
<b><u>STATE REVENUE - OTHER</u></b>					
Caltrans	217,892	178,039	192,858	14,819	8.3%
MediCal	400,000	2,000,000	2,000,000	-	-
STIP - Debt Service (AFC)	7,542,179	7,542,179	1,369,984	(6,172,195)	-81.8%
Total State Funds	8,160,071	9,720,218	3,562,842	(6,157,376)	-63.3%
<b><u>TRANSNET</u></b>					
TransNet - 40% Operating Support	16,734,926	16,734,926	19,386,245	2,651,320	15.8%
TransNet - Access ADA	614,723	614,723	644,299	29,576	4.8%
Total TransNet Funds	17,349,649	17,349,649	20,030,544	2,680,895	15.5%
<b><u>OTHER LOCAL</u></b>					
City of San Diego	428,918	428,918	428,918	-	-
SANDAG - Inland Breeze	1,020,000	450,000	400,000	(50,000)	-11.1%
APCD	527,000	527,000	539,000	12,000	2.3%
Other	-	-	-	-	-
Other Local Funds	1,975,918	1,405,918	1,367,918	(38,000)	-2.7%
<b><u>LEASE-LEASEBACK / RESERVES</u></b>					
Lease-Leaseback	16,945,908	16,945,908	11,415,186	(5,530,722)	-32.6%
Reserve Utilization	104,641	136,778	224,647	87,869	64.2%
Total Lease-Leaseback / Reserves	17,050,549	17,082,686	11,639,833	(5,442,853)	-31.9%
<b>TOTAL NON OPERATING REVENUE</b>	<b>166,120,395</b>	<b>167,342,679</b>	<b>164,834,020</b>	<b>(2,508,660)</b>	<b>-1.5%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATING BUDGET**  
**OPERATING STATISTICS**  
**FISCAL YEAR 2008**

	BUDGET FY07	PROJECTED FY07	INITIAL FY08 BUDGET	DOLLAR CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b><u>Passenger Levels</u></b>					
Internal Bus Operations	25,373,404	26,004,554	26,719,679	715,125	2.8%
Rail Operations - Including MVE	35,064,222	34,861,970	35,994,984	1,133,014	3.3%
Multimodal Operations - Fixed Route	18,045,000	20,179,451	21,189,800	1,010,349	5.0%
Multimodal Operations - Paratransit	597,000	584,000	618,000	34,000	5.8%
Chula Vista Transit	3,271,391	3,313,628	3,446,504	132,876	4.0%
National City Transit	1,715,000	1,110,291	-	(1,110,291)	-100.0%
	84,066,017	86,053,894	87,968,968	1,915,074	2.2%
<b><u>Average Fare</u></b>					
Internal Bus Operations	0.870	0.856	0.848	(0.009)	-1.0%
Rail Operations - Including MVE	0.815	0.799	0.795	(0.004)	-0.5%
Multimodal Operations - Fixed Route	0.828	0.826	0.834	0.007	0.9%
Multimodal Operations - Paratransit	2.459	3.016	2.914	(0.101)	-3.4%
Chula Vista Transit	0.766	0.758	0.765	0.007	0.9%
National City Transit	0.758	0.803	n/a	-	-
	0.843	0.836	0.834	(0.002)	-0.3%
<b><u>Revenue Miles</u></b>					
Internal Bus Operations	9,615,535	9,583,365	9,612,949	29,584	0.3%
Rail Operations - Including MVE	8,342,580	7,880,545	7,959,350	78,805	1.0%
Multimodal Operations - Fixed Route	8,677,092	8,962,136	9,196,995	234,858	2.6%
Multimodal Operations - Paratransit	3,318,679	3,286,078	3,274,000	(12,078)	-0.4%
Chula Vista Transit	1,378,000	1,329,904	1,337,454	7,550	0.6%
National City Transit	541,000	295,539	-	(295,539)	-100.0%
	31,872,886	31,337,568	31,380,748	43,180	0.1%
<b><u>Total Miles</u></b>					
Internal Bus Operations	11,441,332	11,208,066	11,242,665	34,599	0.3%
Rail Operations - Including MVE	8,477,700	8,003,849	8,083,887	80,038	1.0%
Multimodal Operations - Fixed Route	10,054,733	10,745,027	11,025,605	280,578	2.6%
Multimodal Operations - Paratransit	4,315,877	4,234,759	4,238,000	3,241	0.1%
Chula Vista Transit	1,481,300	1,429,598	1,437,715	8,117	0.6%
National City Transit	564,500	308,377	-	(308,377)	-100.0%
	36,335,442	35,929,676	36,027,872	98,196	0.3%
<b><u>Revenue Hours</u></b>					
Internal Bus Operations	793,361	849,142	880,612	31,470	3.7%
Rail Operations - Including MVE	466,284	456,103	468,155	12,052	2.6%
Multimodal Operations - Fixed Route	752,717	773,976	821,861	47,885	6.2%
Multimodal Operations - Paratransit	197,496	193,085	195,200	2,115	1.1%
Chula Vista Transit	108,140	118,104	120,475	2,371	2.0%
National City Transit	44,500	28,214	-	(28,214)	-100.0%
	2,362,498	2,418,624	2,486,303	67,679	2.8%
<b><u>Total Hours</u></b>					
Internal Bus Operations	853,559	894,895	923,353	28,459	3.2%
Rail Operations - Including MVE	478,810	465,201	477,493	12,291	2.6%
Multimodal Operations - Fixed Route	811,976	821,169	867,560	46,390	5.6%
Multimodal Operations - Paratransit	260,944	247,834	253,100	5,266	2.1%
Chula Vista Transit	115,600	124,470	126,349	1,879	1.5%
National City Transit	47,750	28,214	-	(28,214)	-100.0%
	2,568,639	2,581,784	2,647,855	66,071	2.6%

# SAN DIEGO METROPOLITAN TRANSIT SYSTEM

## TOTAL OPERATING BUDGET

### PROPOSED FY 2008 BUDGET

(in \$000's)

	FY 2007 APPROVED BUDGET	FY 2007 AMENDED BUDGET	FY 2008 PROPOSED BUDGET	\$ VARIANCE FY08 BUDGET TO FY07 AMENDED	% VARIANCE FY08 BUDGET TO FY07 AMENDED
Fare Revenue	\$ 70,865	\$ 71,971	\$ 73,362	\$ 1,391	1.9%
Other Revenue	3,287	3,814	3,887	73	1.9%
<b>Total Operating Revenue</b>	<b>\$ 74,152</b>	<b>\$ 75,784</b>	<b>\$ 77,249</b>	<b>\$ 1,465</b>	<b>1.9%</b>
Subsidy	166,120	167,343	164,834	(2,509)	-1.5%
<b>Total Revenue</b>	<b>\$ 240,273</b>	<b>\$ 243,127</b>	<b>\$ 242,083</b>	<b>\$ (1,044)</b>	<b>-0.4%</b>
Wages	\$ 60,845	\$ 60,695	\$ 63,488	\$ 2,793	4.6%
Fringes	33,545	36,692	38,211	1,519	4.1%
Services	16,274	16,343	16,617	274	1.7%
Purchased Transportation	51,879	52,909	56,550	3,641	6.9%
Materials	7,961	7,735	7,353	(382)	-4.9%
Energy	28,015	26,268	28,584	2,316	8.8%
Risk Management	5,733	5,695	4,634	(1,060)	-18.6%
General and Administrative	1,291	1,290	1,082	(208)	-16.1%
Vehicle/Facility Lease	332	363	446	84	23.1%
Debt Service	34,397	32,942	25,117	(7,826)	-23.8%
Reserve	-	-	-	-	n/a
<b>Total Costs</b>	<b>\$ 240,273</b>	<b>\$ 240,933</b>	<b>\$ 242,083</b>	<b>\$ 1,150</b>	<b>0.5%</b>
Overhead Allocation	-	(0)	-	0	-100.0%
<b>Total Revenue Less Total Costs</b>	<b>\$ (0)</b>	<b>\$ 2,194</b>	<b>\$ 0</b>	<b>\$ (2,194)</b>	<b>n/a</b>
Net Operating Subsidy	\$ (166,120)	\$ (165,148)	\$ (164,834)	\$ 314	-0.2%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
COMBINED MTS BUDGET  
FISCAL YEAR 2008**

	NET OPERATING MID YEAR BUDGET FY07	BUDGET FY08	RTMS AFC LRV	NET OPERATING BUDGET FY08	DOLLAR VARIANCE	PERCENT VARIANCE
TOTAL OPERATING REVENUES	75,784,441	77,249,045		77,249,045	1,464,605	1.9%
TOTAL NON OPERATING REVENUE	139,026,592	164,834,020	20,686,070	144,147,949	5,121,357	3.7%
<b>TOTAL COMBINED REVENUES</b>	<b>214,811,033</b>	<b>242,083,065</b>	<b>20,686,070</b>	<b>221,396,995</b>	<b>6,585,962</b>	<b>3.1%</b>
TOTAL PERSONNEL EXPENSES	97,387,526	101,699,315		101,699,315	4,311,789	4.4%
TOTAL PURCHASED TRANSPORTATION	52,909,203	56,549,791		56,549,791	3,640,587	6.9%
TOTAL OUTSIDE SERVICES	16,343,403	16,617,078		16,617,078	273,675	1.7%
TOTAL MATERIALS AND SUPPLIES	7,734,500	7,352,792		7,352,792	(381,708)	-4.9%
TOTAL ENERGY	26,268,066	28,584,345		28,584,345	2,316,280	8.8%
RISK MANAGEMENT	5,694,908	4,634,442		4,634,442	(1,060,466)	-18.6%
GENERAL AND ADMINISTRATIVE	1,290,294	1,082,306		1,082,306	(207,988)	-16.1%
DEBT SERVICE	4,626,306	25,116,648	20,686,070	4,430,578	(195,728)	-4.2%
VEHICLE / FACILITY LEASE	362,640	446,348		446,348	83,708	23.1%
<b>TOTAL OPERATING EXPENSES</b>	<b>212,616,846</b>	<b>242,083,065</b>	<b>20,686,070</b>	<b>221,396,994</b>	<b>8,780,148</b>	<b>4.1%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>2,194,187</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>(2,194,187)</b>	

# SAN DIEGO METROPOLITAN TRANSIT SYSTEM

## TOTAL OPERATING BUDGET

### PROPOSED FY 2008 BUDGET

(in \$000's)

	FY 2007 Mid Year Expense Budget	Allocation Differences	Adjusted FY07 Amended Expense Budget	FY 2008 Current Expense Budget	Difference	Percent Variance
<b>Operations</b>						
Transit Services	75,955	(10)	75,945	78,228	2,283	3.0%
Rail Operations	52,844	(98)	52,746	54,110	1,364	2.6%
Contract Services - Combined	58,268	1,779	60,047	62,241	2,194	3.7%
Chula Vista Transit	6,959	-	6,959	8,088	1,129	16.2%
National City Transit	2,093	(2,093)	-	-	-	0.0%
Coronado Ferry	139	-	139	143	4	3.0%
Administrative Pass Through	344	-	344	344	-	0.0%
<b>Combined Operations</b>	<b>196,602</b>	<b>(422)</b>	<b>196,181</b>	<b>203,154</b>	<b>6,974</b>	<b>3.6%</b>
<b>Other Operations</b>						
Taxicab Administration	683	-	683	776	93	13.6%
San Diego & Arizona Eastern	210	-	210	205	(5)	-2.2%
<b>Combined Other Operations</b>	<b>893</b>	<b>-</b>	<b>893</b>	<b>982</b>	<b>88</b>	<b>9.9%</b>
<b>Administrative</b>						
Board of Directors	115	-	115	120	5	4.7%
BOD Admin	246	-	246	237	(9)	-3.8%
Bus Bench / Bus Shelter	240	-	240	225	(15)	-6.3%
Executive	458	-	458	480	23	5.0%
Finance	1,317	-	1,317	1,381	64	4.9%
Fringes	2,782	-	2,782	3,791	1,009	36.3%
General	746	164	910	944	35	3.8%
Human Resources	1,490	-	1,490	1,531	40	2.7%
Information Technology	1,167	-	1,167	1,561	394	33.8%
Land Management	217	-	217	327	111	51.1%
Legal	257	-	257	281	24	9.2%
Marketing	1,421	-	1,421	1,502	81	5.7%
Multimodal Operations	389	(35)	354	361	8	2.2%
Operations Planning	882	140	1,022	1,031	8	0.8%
Procurement	590	-	590	744	154	26.2%
Risk	801	152	953	753	(200)	-21.0%
Telephone Information Services	600	-	600	707	108	18.0%

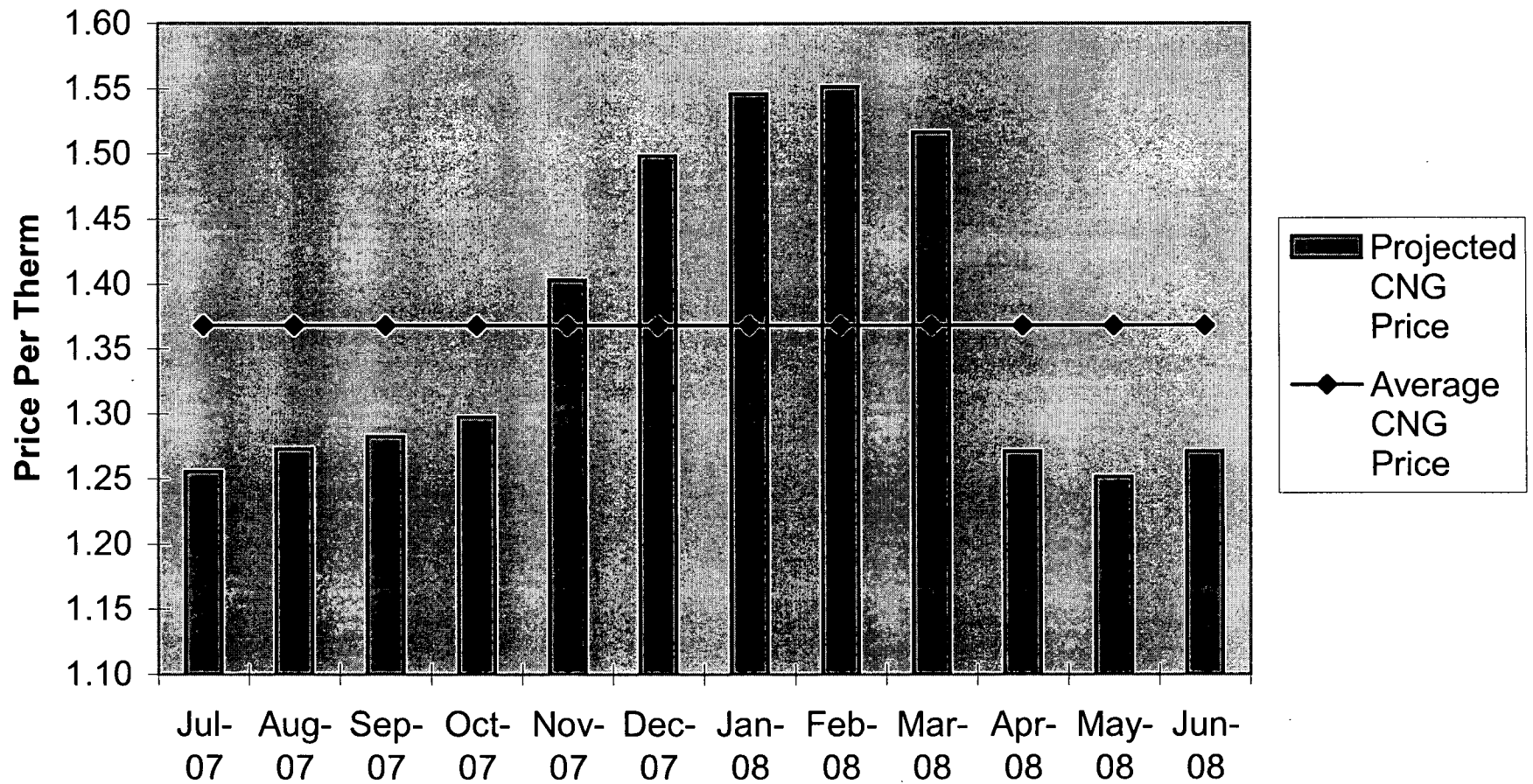
**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**TOTAL OPERATING BUDGET**  
**PROPOSED FY 2008 BUDGET**  
**(in \$000's)**

	FY 2007 Mid Year Expense Budget	Allocation Differences	Adjusted FY07 Amended Expense Budget	FY 2008 Current Expense Budget	Difference	Percent Variance
Transit Store	307	-	307	359	52	16.9%
<b>Combined Administrative</b>	<b>14,023</b>	<b>422</b>	<b>14,445</b>	<b>16,337</b>	<b>1,892</b>	<b>13.1%</b>
<b>Administrative - Debt Service</b>						
- LRV Leaseback (1990 and 1995)	-	-	-	11,415	11,415	0.0%
- Regional Transit Management System (2002)	-	-	-	3,827	3,827	0.0%
- Automated Fare Collection (2003)	-	-	-	5,444	5,444	0.0%
- Tower Note	-	-	-	848	848	0.0%
- Capital Leases	-	-	-	77	77	0.0%
<b>Combined Administrative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,611</b>	<b>21,611</b>	<b>0.0%</b>
<b>Debt Service</b>						
LRV Leaseback (1990 and 1995)	16,946	-	16,946	-	(16,946)	-100.0%
Regional Transit Management System (2002)	3,828	-	3,828	-	(3,828)	-100.0%
Automated Fare Collection (2003)	7,542	-	7,542	-	(7,542)	-100.0%
Revenue Anticipation Notes (2005)	250	-	250	-	(250)	-100.0%
Tower Note	848	-	848	-	(848)	-100.0%
<b>Combined Debt Service</b>	<b>29,414</b>	<b>-</b>	<b>29,414</b>	<b>-</b>	<b>(29,414)</b>	<b>-100.0%</b>
<b>Combined Grand Total</b>	<b>240,933</b>	<b>0</b>	<b>240,933</b>	<b>242,083</b>	<b>1,150</b>	<b>0.5%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
POSITION INFORMATION (SUMMARY FORMAT)  
PROPOSED FISCAL YEAR 2008 BUDGET**

	Mid Year Budget Fiscal Year 2007	Position Shifts	Net Changes	Proposed Fiscal Year 2008	Net Additional Positions Requiring New Funding
POSITION	FTE'S	FTE'S	FTE'S	FTE'S	FTE'S
<b>MTS ADMINISTRATION</b>					
BOD ADMINISTRATION	4.0		-	4.0	-
EXECUTIVE	3.0		-	3.0	-
FINANCE	21.0		-	21.0	-
HUMAN RESOURCES	14.0		-	14.0	-
INFORMATION TECHNOLOGY	16.0		-	16.0	-
LEGAL	1.3		0.2	1.5	0.2
MARKETING	9.0		1.0	10.0	1.0
MULTIMODAL	2.0		-	2.0	-
PLANNING	12.0	2.0	0.5	14.5	0.5
PROCUREMENT	9.0		2.0	11.0	2.0
RIGHT OF WAY	3.0		-	3.0	-
RISK	1.0	3.0	1.0	5.0	-
TELEPHONE INFORMATION SERVICES	22.5		-	22.5	-
TRANSIT STORES	5.0		-	5.0	-
<b>SUBTOTAL MTS ADMINISTRATION</b>	<b>122.8</b>	<b>5.0</b>	<b>4.7</b>	<b>132.5</b>	<b>3.7</b>
<b>BUS OPERATIONS (SAN DIEGO TRANSIT CORPORATION)</b>					
EXECUTIVE	3.8		0.5	4.3	0.5
TRANSPORTATION	592.5	(1.0)	-	591.5	-
MAINTENANCE	189.0		1.0	190.0	-
PASSENGER SERVICES	5.0		1.0	6.0	1.0
RISK	3.0	(3.0)	-	-	-
STORES	14.0		-	14.0	-
REVENUE	14.5		-	14.5	-
TRAINING	12.6		-	12.6	-
SAFETY	2.0	(1.0)	-	1.0	-
<b>SUBTOTAL BUS OPERATIONS</b>	<b>836.4</b>	<b>(5.0)</b>	<b>2.5</b>	<b>833.9</b>	<b>1.5</b>
<b>RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)</b>					
GENERAL MANAGER	4.0		-	4.0	-
TRANSPORTATION	184.8		4.2	189.0	-
OPERATIONS	4.0		-	4.0	-
LIGHT RAIL VEHICLES	92.0		-	92.0	-
MAINTENANCE OF WAYSIDE	40.0		-	40.0	-
TRACK	16.0		2.0	18.0	2.0
FACILITIES	67.0		-	67.0	-
REVENUE	43.2		-	43.2	-
SECURITY	43.0		-	43.0	-
STORES	10.0		-	10.0	-
<b>SUBTOTAL RAIL OPERATIONS</b>	<b>504.0</b>	<b>-</b>	<b>6.2</b>	<b>510.2</b>	<b>2.0</b>
<b>OTHER MTS OPERATIONS</b>					
CONTRACT SERVICES	13.0		-	13.0	-
TAXICAB	9.0		1.0	10.0	1.0
<b>SUBTOTAL OTHER MTS OPERATIONS</b>	<b>22.0</b>	<b>-</b>	<b>1.0</b>	<b>23.0</b>	<b>1.0</b>
<b>GRAND TOTAL</b>	<b>1,485.2</b>	<b>-</b>	<b>14.4</b>	<b>1,499.6</b>	<b>8.2</b>

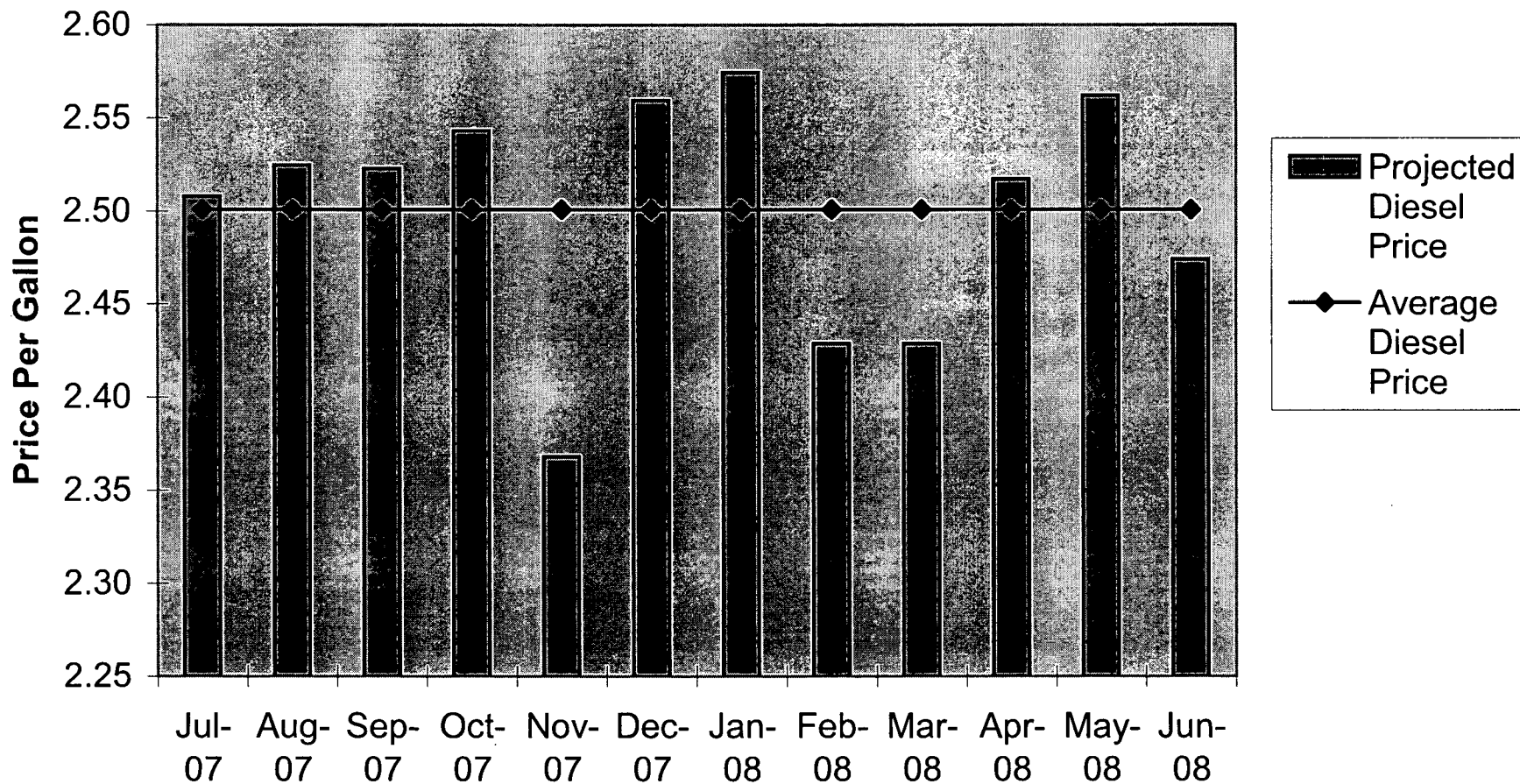
## FY08 CNG Projection



**FY08 Projected Average CNG Price = \$1.32**  
**BDC recommended increase in rate to \$1.36**



## FY08 Diesel Projection



**FY08 Projected Average Diesel Price = \$2.45**

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
Fiscal Year 2008**

**Energy Impact on Operations**

Average annual cost per \$0.01 increase in price

CNG	Diesel
<u>79,475</u>	<u>27,357</u>

Annual budgetary impact at annual average prices

CNG		Diesel	
<u>Average Annual Price</u>	<u>Annual Budgetary Impact</u>	<u>Average Annual Price</u>	<u>Annual Budgetary Impact</u>
1.200	(953,697)	2.300	(410,349)
1.250	(556,324)	2.350	(273,566)
1.300	(158,950)	2.400	(136,783)
1.320	-	2.450	-
1.350	238,424	2.500	136,783
1.400	635,798	2.550	273,566
1.450	1,033,172	2.600	410,349
1.500	1,430,546	2.650	547,132

\* Proposed budget rates for CNG and Diesel are \$1.36 and \$2.45 respectively

\*\* CNG usage represents 80% of San Diego Transit operations

MTS FY08 Budgeted Cost Per Mile

CNG	Diesel
<u>\$ 0.620</u>	<u>\$ 1.009</u>

# Metropolitan Transit System FY 2008 Finance Workshop

MTS Board of Directors Meeting  
April 12, 2007



## Recap of April 4, 2007 Budget Development Committee

Review of Revenues and Expenses

Detailed Review of Position Tables

Review of Policy Issues

Received Guidance:

- STA Subsidy Revenue

- Revenues Exceeding Expenses

- Third Party Administration



## Finance Workshop Agenda

- FY 2008 Projected Revenues
- FY 2008 Projected Expenses
- FY 2008 Budget Closure
- Policy Issues / Assumptions
  - Energy Rates / Assumptions
  - FasTrak
  - State Transit Assistance
  - Third Party Administration (TPA)



## FY 2008 Preliminary Revenue

### Operating Revenue (\$000s)

	Projected FY 2007	Budget FY 2008	Variance	Variance Percentage
PASSENGER REVENUE	71,971	73,362	1,391	1.9%
ADVERTISING REVENUE	900	925	25	2.8%
CONTRACT SERVICE REVENUE	30	30	-	0.0%
OTHER INCOME	2,884	2,932	48	1.7%
<b>TOTAL OPERATING REVENUES</b>	<b>75,784</b>	<b>77,249</b>	<b>1,465</b>	<b>1.9%</b>



**FY 2008 Preliminary Revenue**  
**Operating Revenue by Operator (\$000s)**

	Projected FY 2007	Budget FY 2008	Variance	Variance Percentage
Internal Bus Operations	22,264	22,645	381	1.7%
Rail Operations - Base	24,885	25,549	664	2.7%
Rail Operations - MVE	2,978	3,067	89	-
MCS - Fixed Route	16,677	17,663	986	5.9%
MCS - Paratransit	1,761	1,801	40	2.3%
Chula Vista Transit	2,513	2,637	124	4.9%
National City Transit	892	-	(892)	-100.0%
Coronado Ferry	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>71,971</b>	<b>73,362</b>	<b>1,391</b>	<b>1.9%</b>



**FY 2008 Preliminary Revenue**  
**Non-Operating Revenue (\$000'S)**

	Projected FY 2007	Budget FY 2008	Variance	Variance Percentage
<b>RECURRING REVENUES</b>				
FEDERAL REVENUE	23,418	24,428	1,011	4.3%
TRANSPORTATION DEVELOPMENT ACT	78,943	82,365	3,421	4.3%
STATE TRANSIT ASSISTANCE (STA)	11,026	8,390	(2,636)	-23.9%
STATE REVENUE - OTHER	2,178	2,193	15	0.7%
TRANSNET	17,350	20,031	2,681	15.5%
OTHER LOCAL SUBSIDIES	1,406	1,368	(38)	-2.7%
<b>TOTAL RECURRING REVENUES</b>	<b>134,321</b>	<b>138,774</b>	<b>4,454</b>	<b>3.3%</b>
<b>NON RECURRING REVENUES</b>				
FEDERAL CMAQ FOR MVE	4,569	5,149	580	12.7%
OTHER RESERVES	137	225	88	64.2%
CONTINGENCY RESERVES	-	-	-	-
<b>TOTAL NON RECURRING REVENUES</b>	<b>4,706</b>	<b>5,374</b>	<b>668</b>	<b>14.2%</b>
<b>DEBT SERVICE/LEASE LEASEBACK REVENUE</b>	<b>28,316</b>	<b>20,686</b>	<b>(7,630)</b>	<b>-26.9%</b>
<b>TOTAL NON OPERATING REVENUES</b>	<b>167,343</b>	<b>164,834</b>	<b>(2,509)</b>	<b>-1.5%</b>



**FY 2008 Preliminary Revenue**  
**Total Operating / Non-Operating Revenue (\$000'S)**

	Mid Year FY 2007	Budget FY 2008	Variance	Variance Percentage
OPERATING REVENUES	75,784	77,249	1,465	1.9%
RECURRING REVENUES	134,321	138,774	4,454	3.3%
NONRECURRING REVENUES	4,706	5,374	668	14.2%
<b>TOTAL REVENUES</b>	<b>214,811</b>	<b>221,397</b>	<b>6,586</b>	<b>3.1%</b>
RECURRING REVENUES SHIFT TO CAPITAL				
TRANSNET RECURRING	2,019	-	(2,019)	-100.0%
<b>TOTAL REVS SHIFT TO CAPITAL</b>	<b>2,019</b>	<b>-</b>	<b>(2,019)</b>	<b>-100.0%</b>
<b>COMPARABLE REVENUES</b>	<b>216,830</b>	<b>221,397</b>	<b>4,567</b>	<b>2.1%</b>



## Finance Workshop Agenda

- FY 2008 Projected Revenues
- FY 2008 Projected Expenses
- FY 2008 Budget Closure
- Policy Issues / Assumptions
  - Energy Rates / Assumptions
  - FasTrak
  - State Transit Assistance
  - Third Party Administration (TPA)



**FY 2008 Combined Budget - Revenue / Expense Schedule**  
**Excluding Debt Service / FY07 Transnet Revenue Shift**  
in (000's)

	Mid Year FY 2007	Budget FY 2008	Variance	Variance Percentage
<b>TOTAL REVENUES</b>				
Operating Revenues	75,784	77,249	1,465	1.9%
Non Operating Revenues	139,027	144,148	5,121	3.7%
<b>Combined Revenues</b>	<b>214,811</b>	<b>221,397</b>	<b>6,586</b>	<b>3.1%</b>
<b>TOTAL EXPENSES</b>				
Personnel Expenses	97,388	101,699	4,312	4.4%
Purchased Transportation	52,909	56,550	3,641	6.9%
Outside Services	16,343	16,617	274	1.7%
Materials and Supplies	7,735	7,353	(382)	-4.9%
Energy	26,268	28,584	2,316	8.8%
Risk Management	5,695	4,634	(1,060)	-18.6%
General and Administrative	1,290	1,082	(208)	-16.1%
Debt Service	4,626	4,431	(196)	-4.2%
Vehicle/Facility Lease	363	446	84	23.1%
<b>Combined Expenses</b>	<b>212,617</b>	<b>221,397</b>	<b>8,780</b>	<b>4.1%</b>
<b>Total Revs Less Exps</b>	<b>2,194</b>	<b>(0)</b>	<b>(2,194)</b>	



**FY 2008 Combined Expense Budget**  
**Excluding Debt Service / Allocation Differences**  
in (000's)

	Mid Year FY 2007	Budget FY 2008	Variance	Variance Percentage
Internal Bus Operations	75,945	78,228	2,283	3.0%
Rail Operations	52,746	54,110	1,364	2.6%
Contract Services - Fixed Route	48,362	49,447	1,085	2.2%
Contract Services - Paratransit	11,685	12,793	1,108	9.5%
Chula Vista Transit	6,959	8,088	1,129	16.2%
National City Transit	-	-	-	-
Coronado Ferry	139	143	4	3.0%
Administrative Pass Through	344	344	-	0.0%
<b>Total Operating Expenses</b>	<b>196,181</b>	<b>203,154</b>	<b>6,974</b>	<b>3.6%</b>
<b>Total Other Operations</b>	<b>893</b>	<b>982</b>	<b>88</b>	<b>9.9%</b>
<b>Total Administration</b>	<b>14,445</b>	<b>16,337</b>	<b>1,892</b>	<b>13.1%</b>
<b>Total Expenses</b>	<b>211,519</b>	<b>220,472</b>	<b>8,953</b>	<b>4.2%</b>



### FY 2008 Administration Detail

in (000's)

	Mid Year FY 2007	Budget FY 2008	Variance	Variance Percentage
<b>Total Administration Expenses</b>	<b>14,445</b>	<b>16,337</b>	<b>1,892</b>	<b>13.1%</b>
<b>Administration Detail</b>				
New Positions - 3.7 FTEs (Admin)			386	
4% Administrative Wage Increase			380	
Shifting of Risk Administration Department			229	
Shifting of Scheduling Administration Dept.			185	
Consolidation of Telephone Services			220	
Payroll Outsourcing Project (One-time)			130	
Joint Use Development Outside Services			100	
Transit Store Signage / Facility Improvements			50	
Marketing Station Signage Improvement Study			50	
APTA 2008 Marketing Preparation			36	
Other Increases			126	
<b>Total Administration Expenses</b>			<b>1,892</b>	



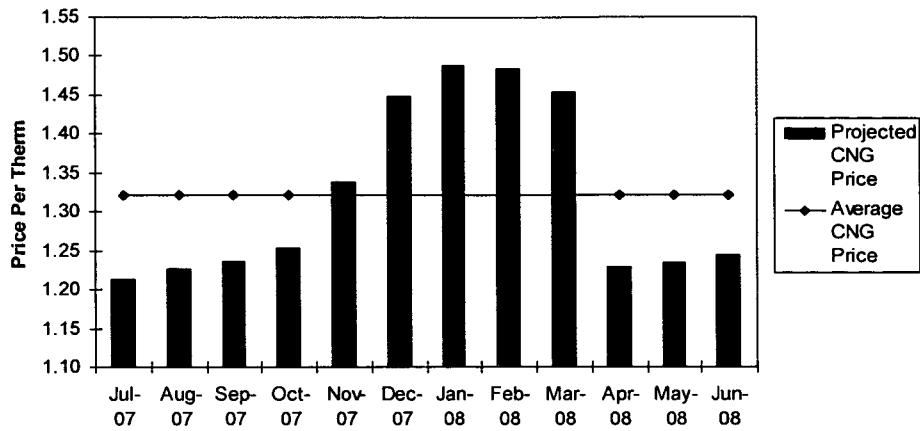
### FY 2008 Position Information (Summary Format)

	Mid Year FY 2007	Position Shifts	Net Changes	Proposed FY 2008	Net Addtl Positions
<b>Consolidated</b>					
MTS Administration	122.8	5.0	4.7	132.5	3.7
Bus Operations	836.4	(5.0)	2.5	833.9	1.5
Rail Operations	504.0	-	6.2	510.2	2.0
Other MTS Operations	22.0	-	1.0	23.0	1.0
<b>Total Consolidated MTS</b>	<b>1,485.2</b>	<b>-</b>	<b>14.4</b>	<b>1,499.6</b>	<b>8.2</b>
Percentage Increase to Original FY07			1.0%		0.6%





### FY08 CNG Projection

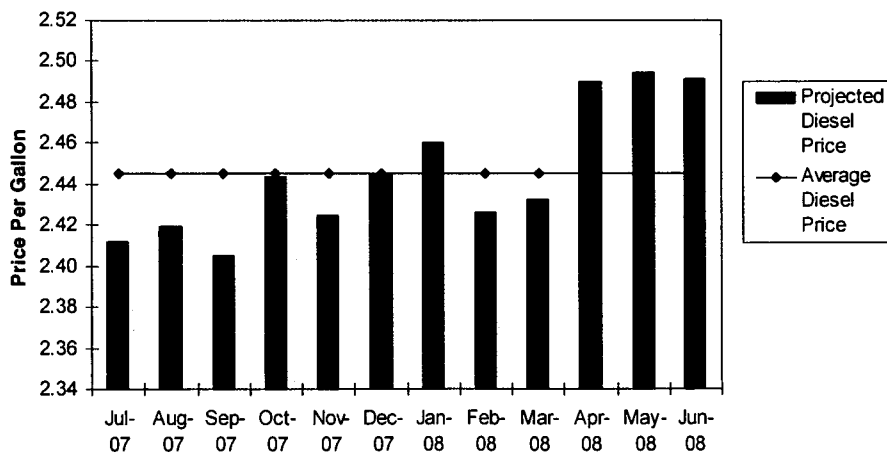


FY08 Projected Average CNG Price = \$1.32 per therm






BDC Recommended Increase in Rate to \$1.36 per therm



### FY08 Diesel Projection








SAN DIEGO METROPOLITAN TRANSIT SYSTEM			
Fiscal Year 2008			
Energy Impact on Operations			
Average annual cost per \$0.01 increase in price			
CNG		Diesel	
79,475		27,357	
Annual budgetary impact at annual average prices			
CNG		Diesel	
Average Annual Price	Annual Budgetary Impact	Average Annual Price	Annual Budgetary Impact
1.250	(874,223)	2.350	(273,566)
1.300	(476,849)	2.400	(136,783)
1.360	-	2.450	-
1.400	317,899	2.500	136,783
1.450	715,273	2.550	273,566
1.500	1,112,647	2.600	410,349
* Proposed budget rates for CNG and Diesel are \$1.36 and \$2.45			
** CNG usage represents 80% of San Diego Transit operations			





SAN DIEGO METROPOLITAN TRANSIT SYSTEM					
Fiscal Year 2008					
Energy Impact on Operations					
MTS FY08 Budgeted Cost Per Mile					
	CNG			Diesel	
	\$ 0.620			\$ 1.009	
Historic Energy Rates					
	FY05	FY06	FY07	FY07	FY08
	Actual	Actual	Original	Mid Year	Projected
CNG	\$ 1.062	\$ 1.307	\$ 1.500	\$ 1.220	\$ 1.360
Diesel	\$ 1.681	\$ 2.324	\$ 2.320	\$ 2.270	\$ 2.450





## Finance Workshop Agenda

- FY 2008 Projected Revenues
- FY 2008 Projected Expenses
- FY 2008 Budget Closure
- Policy Issues / Assumptions
  - Energy Rates / Assumptions
  - FasTrak
  - State Transit Assistance
  - Third Party Administration (TPA)



## FY 2008 Combined Expense Budget Budget Closure in millions \$

Original FY08 Shortfall (4% Projection)	(4.0)
FY07 Favorable Variance	2.2
TDA Revenues	0.8
Continued Budgetary Efficiencies - Materials	0.7
Consolidating NCT Operations	0.6
CMAQ Revenues	0.5
Continued Budgetary Efficiencies - Other	0.4
Land Management - Grossmont/Linda Vista	0.4
Continued Budgetary Efficiencies - G&A	0.3
Internalizing TPA (Liability)	0.2
Additional FTEs	(0.7)
Energy Greater Than 4%	(0.9)
BDC Guidance increasing \$0.04 to CNG	(0.4)
<b>Total Balanced Budget</b>	<b>(0.0)</b>



## Finance Workshop Agenda

- FY 2008 Projected Revenues
- FY 2008 Projected Expenses
- FY 2008 Budget Closure
- Policy Issues / Assumptions
  - Energy Rates / Assumptions
  - FasTrak
  - State Transit Assistance
  - Third Party Administration (TPA)



### SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Fiscal Year 2008

#### Energy Rates

Budgeted Energy Rates Currently:

CNG	Diesel
1.36	2.45
Average annual cost per \$0.01 increase in price	
CNG	Diesel
79,475	27,357



## SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Fiscal Year 2008

### FasTrak (Funding of I-15 "Inland Breeze")

- \* SANDAG Board of Directors Approved Proposed Changes to Operations of FasTrak Program

#### MTS Funding for I-15 Corridor

Original FY07 Budget	1,020,000
Amended FY07 Budget	450,000
Proposed FY08 Budget	400,000



## SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Fiscal Year 2008

### State Transit Assistance (STA) Funding

- \* Latest State budget has Spillover and Proposition 42 payback funding out of the STA allocation.

- STA Levels Projected \$2.6M Lower Than FY07 Recurring

	FY07	FY08		
"Recurring" - Ops	\$ 11.0	\$ 8.4	\$ (2.6)	-23.9%
"Spillover" / Prop 42	17.6	-	\$ (17.6)	
	<u>\$ 28.6</u>	<u>\$ 8.4</u>	<u>\$ (20.2)</u>	<u>-70.7%</u>

- Budget Development Committee provided guidance if any additional STA subsidy revenues are received, these funds will be shifted to the FY 2009 Capital Improvement Program.



## **SAN DIEGO METROPOLITAN TRANSIT SYSTEM**

**Fiscal Year 2008**

### **Internalizing Third Party Administration (TPA)**

- \* Current proposed budget has eliminated TPA of liability claims
  - Budgetary savings of approximately \$200,000
- Budget Development Committee provided guidance approving the internalizing of TPA



## **SAN DIEGO METROPOLITAN TRANSIT SYSTEM**

**Fiscal Year 2008**

### **Finance Workshop Recommendation**

Receive the FY 2008 Budget Development report.

#### **Next Budget Development Committee / Finance Workshop**

1. Overview Revenues/Expenses & Updates
2. Budget Closure
3. Performance Incentive Program
4. Five Year Forecast



# Metropolitan Transit System FY 2008 Finance Workshop

MTS Board of Directors Meeting  
April 12, 2007



8:30 am

SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

REQUEST TO SPEAK FORM

AGENDA ITEM NO.

3c

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 April 12, 2007  
Name (PLEASE PRINT) Chuck Lurgerhausen  
Address 5308 Monroe Ave #124  
San Diego, CA 92115  
Telephone 619-546-5610  
Organization Represented (if any) Self

Subject of your remarks: 2007 MS Walk

Agenda Item Number on which you request to speak 3c

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.\*\***



**1.**  
**April 12, 2007**  
**MTSB mtg.**  
**AGENDA ITEM #3c ( Public Comment)**

**Good morning Chair Mathis, Board members, Staff, and other fellow citizens. Chuck Lungerhausen of 5308 Monroe Ave. #124 which is in the SDSU neighborhood of San Diego. 92115  
Phone 619-546-5610**

**Am here once again to ask for your kind sponsorship donations for the 2007 MS Walk that will take place Apr. 28 & 29 for landlubbers, but for Team Waters of which I am part will do their water activities next Friday Apr. 20, 11:00 am to 12:00 pm at The Mission Beach Plunge 3001 Ocean Front Walk, observers are most welcome.**

**Your check's should be payable to the National MS Society. If giving cash, please a card with your address so a thank-you message can be sent. To this moment have collected \$2720.00 and of that amount \$150 was contributed by me so you see I am dedicated to finding some solution for this disease that has impacted my life since I was 25 and now coming up on my 60th birthday this next September.**

**Say CEO Paul there is still time to get me that big check and if you have forggotten your check book I have here a stamped self addressed envelope.**

**Now on the public transportation front what has happened to the new S70 cars recently? They have not been used in combination with the older SD100 cars this past week or so. There are times when new technology and old technology do not work together well. Can this be the case here??**

**Thank you for listening and the opportunity to speak.**



8:46

AGENDA ITEM NO.

3c

**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 2007-04-12Name (PLEASE PRINT) Clive RichardAddress 5153 La Jorna St  
San Diego, CA 92115-1530Telephone 619.582.4036

Organization Represented (if any) \_\_\_\_\_

Subject of your remarks: \_\_\_\_\_

Agenda Item Number on which you request to speak \_\_\_\_\_

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

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

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



**GAO**

**Testimony**

**Before the Subcommittee on Transportation,  
Housing and Urban Development, and Related  
Agencies; Committee on Appropriations;  
House of Representatives**

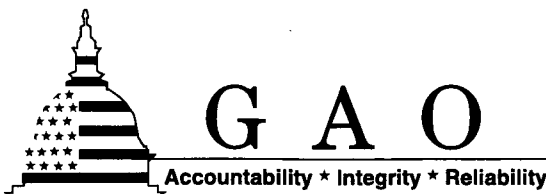
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For Release on Delivery  
Expected at 2:00 p.m. EST  
March 6, 2007

**PERFORMANCE AND  
ACCOUNTABILITY**

**Transportation Challenges  
Facing Congress and the  
Department of  
Transportation**

Statement of Patricia A. Dalton, Managing Director  
Physical Infrastructure Issues



GAO  
Accountability • Integrity • Reliability

# Highlights

Highlights of GAO-07-545T, a testimony before the Subcommittee on Transportation, Housing and Urban Development, and Related Agencies; Committee on Appropriations; House of Representatives

## Why GAO Did This Study

A safe, efficient, and convenient transportation system is integral to the health of our economy and quality of life. Our nation's vast transportation system of airways, railways, roads, pipelines, transit, and waterways has served this need, yet it is under considerable strain from (1) increasing congestion, (2) the large costs to maintain and improve it, and (3) the human cost of over 44,000 people killed and over 2.5 million injured each year in transportation-related accidents.

The Department of Transportation implements national transportation policy and administers most federal transportation programs. For fiscal year 2008, the department has requested \$67 billion to carry out these and other activities.

While the department carries out some activities directly, such as employing about 15,000 air traffic controllers to make certain that planes stay a safe distance apart, it does not have direct control over the vast majority of activities that it funds, such as local decisions on the priority and placement of airports, public transit, and roads. In other cases, such as railways and pipelines, the infrastructure is owned and operated by industry.

This statement presents GAO's views on major transportation challenges facing Congress and the department. It is based on GAO products, including recommendations made, and the products of others.

[www.gao.gov/cgi-bin/getrpt?GAO-07-545T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-545T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Patricia Dalton at (202) 512-2834 or [Daltonp@gao.gov](mailto:Daltonp@gao.gov).

## PERFORMANCE AND ACCOUNTABILITY

# Transportation Challenges Facing Congress and the Department of Transportation

## What GAO Found

**Financing mechanisms** for the nation's transportation system are under stress. Our nation's transportation infrastructure is threatened by increasing demand for transportation services, and revenue from traditional funding mechanisms for the nation's highway and aviation systems may be unable to keep pace at current tax rates. In addition, freight traffic is projected to grow substantially, but current planning and financing mechanisms impede public strategies to address needs.

Our nation's **mobility** is threatened because the nation's infrastructure is under great strain. Congestion across modes (e.g., aviation, highways, and rail) is expected to worsen. However, funding by mode and the lack of performance-related goals result in little assurance that funds are being channeled to the most critical mobility concerns and that intermodal approaches can be integrated into the transportation system.

Improvements in **transportation safety** are needed to reduce the number of deaths and injuries from transportation accidents—about 95 percent of which occur on our nation's roads. Increases in congestion across modes as a result of population and economic growth could cause deterioration in transportation safety despite departmental and state efforts to reduce accidents.

The transition from the current **air traffic control system** to a broader and modernized system will be one of the department's most complex undertakings. In previous years, FAA has faced systemic management and acquisition problems that led us to designate its air traffic control modernization program as high risk. While the agency has made significant progress in recent years, a key challenge going forward will be to institutionalize these improvements and to continually improve.

In addition, the department and the transportation sector face persistent **human capital** challenges due to an impending shortage of skilled people to meet changing transportation needs. Furthermore, despite recent improvements in **financial management**, the department received a qualified opinion on its 2006 financial statements. Finally, the department is working to clarify its role in **transportation security and emergency preparedness and response**.



Source: Photodisc and Corbis.

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Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to participate in this hearing today to discuss transportation challenges facing Congress and the Department of Transportation. These issues are important for three reasons. First, the nation's economic vitality and its citizens' quality of life depend significantly on the soundness, safety, and security of its vast transportation system. This system fuels the nation's economic engine, facilitating the movement of goods and people. Second, transportation solutions are typically expensive, and the federal government's financial condition and fiscal outlook are worse than many may understand.<sup>1</sup> This calls for a reexamination of the goals of transportation policy, how we hold stakeholders accountable for results, and how programs are financed. Finally, as an implementer of congressional policy, the Department of Transportation must be a high-performing agency—one that innovates, delivers results, is fiscally prudent, and has a workforce that can meet 21st century challenges.<sup>2</sup>

My remarks today focus on four primary transportation challenges and some that are continuing concerns. (See fig. 1.) Some are solely within the Department of Transportation's purview; some require congressional action as well. For the most part, these challenges are the ones that we identified in 2003 as part of our series of reports of performance and accountability challenges facing the federal government.<sup>3</sup> This is not because little or no progress has been made. In many cases there has been progress. Rather, it is because some of these challenges—such as improving mobility and transportation safety—are so vast, and the department's ability to address them is so indirect, that years of focused efforts will be needed to see measurable improvements. In addition to our completed work on these issues, we have a body of ongoing work that should be of use to Congress and the department as our country moves forward to improve the design of transportation programs, delivery of

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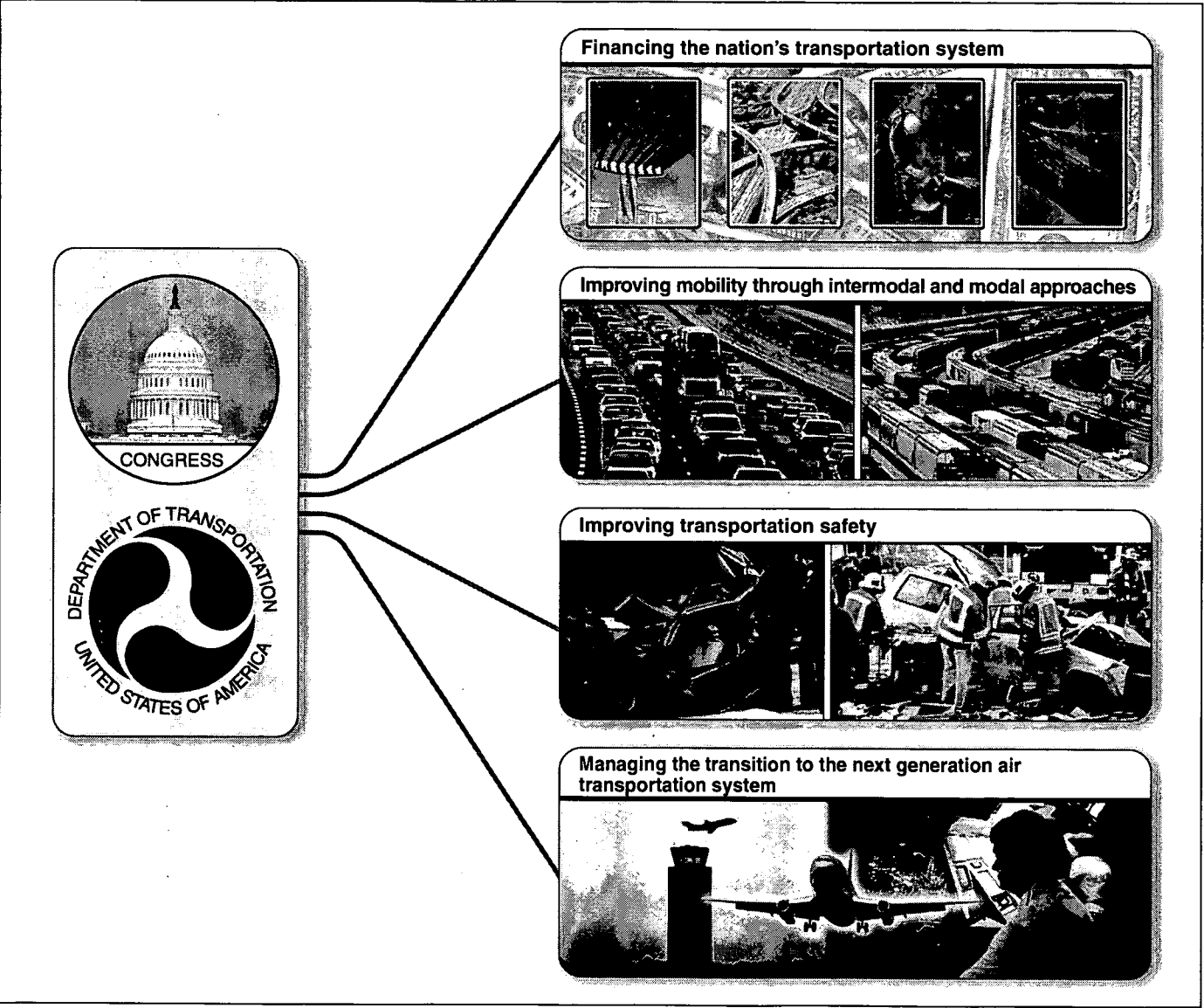
<sup>1</sup>GAO, *Fiscal Stewardship: A Critical Challenge Facing Our Nation*, GAO-07-362SP (Washington, D.C.: January 2007).

<sup>2</sup>GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: February 2007).

<sup>3</sup>GAO, *Major Management Challenges and Program Risks: Department of Transportation*, GAO-03-108 (Washington, D.C.: January 2003). See <http://www.gao.gov/pas/2005/dot.htm> for a 2005 update.

services, and accountability for results (See app. I and a list of related GAO products at the end of this statement).

**Figure 1: Major Challenges Facing Congress and the Department of Transportation**



Sources: Photodisc and GAO.

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My statement is primarily based on work that we have completed over the past several years for Congress. We also reviewed assessments of the Department of Transportation's activities prepared by its Office of Inspector General and key departmental documents, such as its budget, strategic plan, and performance and accountability report. Finally, we discussed these issues with selected senior officials within the department. We conducted our work in February 2007 in accordance with generally accepted government auditing standards.

In summary:

- **Financing mechanisms for the nation's transportation system** are under stress. The efficiency of the nation's transportation infrastructure is threatened by increasing demand for transportation services, and revenue from traditional funding mechanisms may be unable to keep pace at current tax rates. Revenues to support the Highway Trust Fund—the major source of federal highway and transit funding—are eroding, with recent estimates forecasting a negative balance of more than \$14 billion by the end of fiscal year 2012. For aviation, there is concern that with the current funding system, the costs of providing and modernizing air traffic control services might increase without a corresponding increase in revenues collected from users. In the future, freight traffic is projected to grow substantially, putting strain on our nation's transportation systems, but current planning and financing mechanisms impede public strategies to address needs, and industry's ability to fund its capacity increases to meet growth is largely uncertain. As a result of these concerns, we designated financing the nation's transportation infrastructure as a high-risk issue this year.<sup>4</sup>
- The challenges in reforming transportation finance systems are critical to **maintaining and improving our nation's mobility**. The nation's infrastructure is under great strain; congestion across modes is significant and expected to worsen. However, federal funding levels are not linked to specific performance-related goals and outcomes, resulting in limited assurance that federal funding is being channeled to the nation's most critical mobility needs. Furthermore, federal funding is often tied to a single transportation mode, which may limit the use of federal funds to finance the greatest improvements in mobility. It is also unlikely that mobility can be enhanced unless major modes—air, highway, rail, transit, and water—are well connected. However, intermodal connections, such as

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<sup>4</sup>GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007).

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multimodal passenger terminals and roads that link freight terminals and major highways, are among the transportation system's weakest links.

The department is implementing a number of new initiatives aimed at mitigating congestion, including providing funds to local governments to test innovative ideas for curbing congestion and new funding for projects that have national or regional benefits. In the aviation arena, the Federal Aviation Administration (FAA) is leading a multiagency effort to transform the air traffic control system in order to safely handle the projected growth in the demand for air travel. While these steps are encouraging, successfully addressing the nation's mobility needs requires strategic and intermodal approaches and solutions.

- Improving **transportation safety** is an imperative. Each year over 44,000 people are killed and over 2.5 million are injured in transportation-related accidents. Of particular concern is the limited progress in improving safety on our nation's roads, where about 95 percent of all transportation fatalities occur. Projected increases in congestion across modes, as a result of population and economic growth, could cause deterioration in transportation safety despite vigorous efforts to reduce accidents. To address these problems, the department is carrying out a number of initiatives related to improving aviation, commercial motor carrier, highway, railroad, and pipeline safety. However, certain areas require increased attention. In particular, improvements in data, performance measures, and evaluations are needed to determine whether programs are achieving intended results. For example, agencies need to develop better measures of the direct results of their efforts—such as safety improvements made as a result of enforcement of safety standards—that contribute toward reductions in accidents. This information can also hold agencies accountable for the performance of their programs and support congressional oversight.
- FAA has worked with the Joint Planning and Development Office (JPDO) to design and plan the **Next Generation Air Transportation System** (NextGen) and will face challenges as it moves toward implementation and integration of NextGen systems.<sup>5</sup> This transition from the current air

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<sup>5</sup>In 2003, Congress authorized the creation of the JPDO, housed within FAA, to plan for and coordinate the transition to the Next Generation Air Transportation System. It operates in conjunction with seven partner agencies. NextGen involves airport-curb-to-airport-curb modernization and encompasses security screening and environmental issues, as well as projects to augment the global positioning system to aid in approaches and landings and to provide new displays and data processing for air traffic controllers.



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traffic control system to the broader and modernized NextGen system will be one of the Department of Transportation's most complex undertakings. In previous years, FAA has faced systemic management and acquisition problems that led us to designate its air traffic control modernization program as high risk. FAA has made significant progress in its handling of air traffic control acquisitions, but a key challenge going forward will be to institutionalize these improvements and to continuously improve in this area. FAA and JPDO also need to provide Congress with a valid and comprehensive estimate of the costs of the NextGen system, including the identification and costs of necessary research, development, and demonstration projects. One limited, preliminary estimate concluded that FAA's budget under a NextGen scenario would average about \$15 billion per year through 2025, or about \$1 billion more annually (in today's dollars) on average than FAA's fiscal year 2006 appropriation. JPDO has estimated that failure to achieve a timely transition to NextGen could result in a gap between the demand for air transportation services and available capacity that could cost the U.S. economy billions of dollars annually.

- In addition, the department and the transportation sector as a whole face persistent **human capital** challenges that put their mission performance at risk. Both face an impending shortage of people with the skills and competencies they will need in the future. Furthermore, while the department has made significant improvements in recent years in its **financial management**, it received a qualified opinion on its 2006 financial statements because of material weaknesses related to certain FAA activities. Finally, the department has retained some responsibilities and involvement in **transportation security and emergency preparedness and response** and is working with the Department of Homeland Security to further clarify its role.

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## Background

The safe, efficient, and convenient movement of people and goods depends on a vibrant transportation system that meets those needs. Our nation has built a vast transportation system of roads, airways, railways, pipelines, transit, and waterways that facilitate commerce and improve our quality of life. The flow of people and goods is enormous: the nation moved about 5 trillion ton miles of freight and 5 trillion passenger miles of people in 2004.<sup>6</sup> Spending for commercial, personal, and government

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<sup>6</sup>One ton-mile is the movement of one ton of freight for one mile. One passenger mile is the movement of one person for one mile. Statistics are for both interstate and intrastate travel.

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transportation represents about 11 percent of the gross domestic product. Yet there is a price for this system:

- Increasing congestion on the ground and in the air delays the arrival of people and freight at their destinations and imposes economic losses. According to Department of Transportation estimates, congestion costs Americans roughly \$200 billion each year.
- The system is expensive to maintain and improve. Total federal, state and local transportation expenditures are close to \$200 billion annually.
- There is a human cost: over 44,000 people are killed in transportation-related accidents and over 2.5 million are injured each year.

The transportation system is under considerable strain from these factors, and this strain is expected to increase as the demand to move people and goods grows resulting from population growth, technological change, and the increased globalization of the economy. For example, according to the Transportation Research Board, an expected population growth of 100 million people could double the demand for passenger travel by 2040. Moreover, this population growth will be concentrated in certain regions and states, further intensifying the demand for transportation in these areas.<sup>7</sup>

The Department of Transportation implements national transportation policy and administers most federal transportation programs. Its responsibilities are considerable and reflect the extraordinary scale, use, and impact of the nation's transportation system. The department has multiple missions—primarily focusing on mobility and safety—that are carried out by several operating administrations. (See table 1.)

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<sup>7</sup>Transportation Research Board, *Critical Issues in Transportation* (Washington, D.C.: 2006).

**Table 1: Primary Missions of the Department of Transportation**

<b>Mission</b>	<b>Responsible entity within the department</b>
Enhancing the quality and performance of the nation's highway system and intermodal connectors	Federal Highway Administration
Promoting the safety and efficiency of the national airspace system	Federal Aviation Administration
Supporting locally planned and operated public mass transit systems	Federal Transit Administration
Reducing motor vehicle crashes and their associated deaths and injuries	National Highway Traffic Safety Administration
Reducing commercial motor vehicle-related (large trucks and buses) fatalities and injuries	Federal Motor Carrier Safety Administration
Improving safety on the nation's rail systems and providing grants for intercity passenger rail activities	Federal Railroad Administration
Maintaining the safety and integrity of the nation's pipeline transportation system and the safety of transporting hazardous materials	Pipeline and Hazardous Materials Safety Administration
Strengthening the nation's maritime transportation system, including infrastructure, industry, and labor	Maritime Administration

Source: GAO presentation of Department of Transportation information.

For fiscal year 2008, the President's budget requested \$67 billion to carry out these and other activities. This budget request would support about 55,000 full-time-equivalent employees.

The department carries out some activities directly, such as employing more than 15,000 air traffic controllers to coordinate air traffic to make certain that planes stay a safe distance apart. However, the vast majority of its activities are not under its direct control. For example, in recent years the Federal Highway Administration (FHWA) has provided state governments nearly \$34 billion each year to build and improve roads and bridges and meet other transportation needs. However, for the most part state and local governments decide which transportation projects have high priority within their political jurisdictions. Similarly, while the National Highway Traffic Safety Administration (NHTSA) encourages the use of safety belts by the motoring public as a means of saving lives and reducing injuries, states determine whether and how to punish noncompliance. In other cases—notably most freight railways and pipelines—the infrastructure is owned and operated by private companies and the Department of Transportation regulates the safety of their transportation operations.

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## Transportation Challenges Facing Congress and the Department of Transportation

In our view, Congress and the Department of Transportation face four major transportation challenges—financing the nation’s transportation system, improving mobility, improving safety, and managing the transformation of the air traffic control system. Another three issues are of continuing concern: building human capital strategies, fostering improved departmental financial management, and improving transportation security and emergency preparedness and response.

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### Financing the Nation’s Transportation System

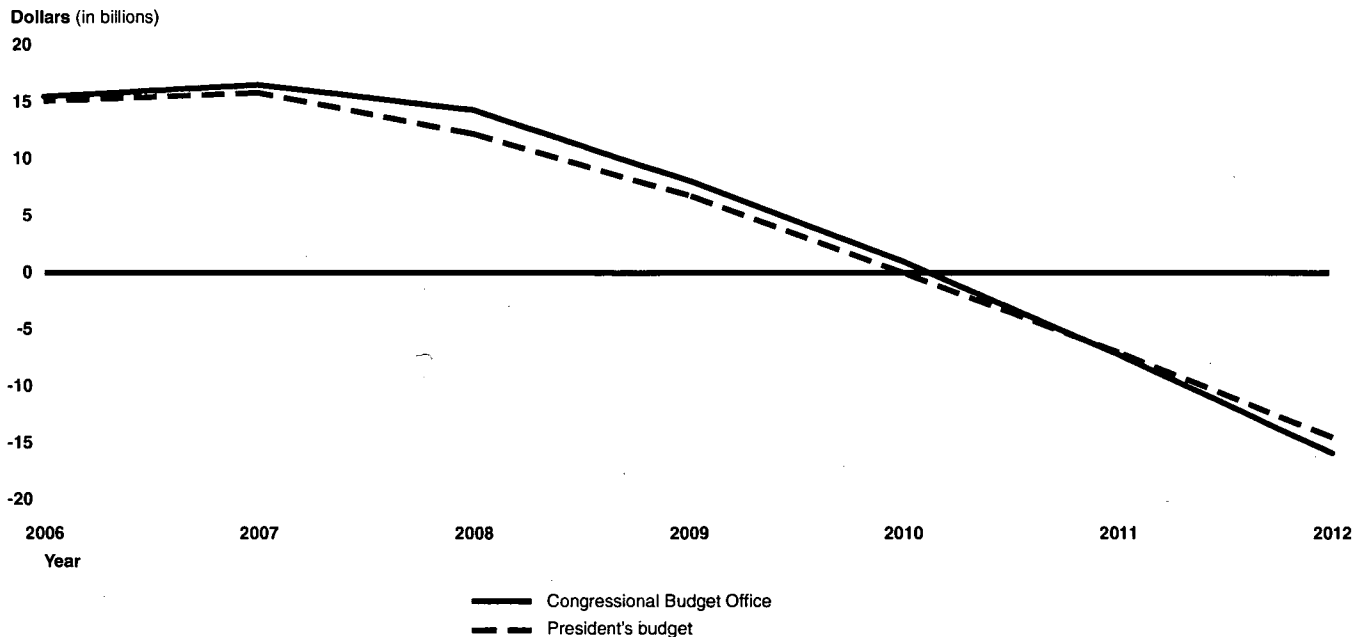
The efficiency of the nation’s transportation infrastructure is threatened by increasing demand for transportation services, and revenue from traditional funding mechanisms may be unable to keep pace at current tax rates. In addition, the nation’s long-term fiscal challenges<sup>8</sup> will constrain decision makers’ ability to use other revenue sources for transportation needs. As a result of these concerns, we designated financing the nation’s transportation infrastructure as a high-risk issue this year.

Revenues to support the Highway Trust Fund—the major source of federal highway and transit funding—at the current fuel tax rate are eroding. While receipts for the Highway Trust Fund, which are derived from motor fuel and truck-related taxes, are growing, the federal motor fuel tax rate of 18.3 cents per gallon has not been increased since 1993 and inflation has eroded purchasing power. In addition, increased fuel efficiency and the advent of alternative-fuel vehicles will further erode trust fund receipts. While increases in vehicle travel will increase fuel tax revenues, funding already authorized in recently enacted highway and transit program legislation is expected to outstrip the growth in trust fund receipts. According to recent estimates from the Congressional Budget Office and the President’s budget, the trust fund balance will steadily decline and reach a negative balance of more than \$14 billion by the end of fiscal year 2012. (See fig. 2.) To help remedy this situation, a commission—chaired by the Secretary of Transportation—will report later this year on recommendations to place the trust fund on a sustainable path. In addition, the Department of Transportation’s strategic plan suggests exploring tolling projects and private sector involvement to address funding constraints—ideas that some state and local governments are currently exploring.

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<sup>8</sup>GAO-05-325SP.

**Figure 2: Highway Trust Fund Year-End Balance Forecasts**



Source: Congressional Budget Office and President's Budget.

Federal aviation programs are also facing growing infrastructure demands with constrained resources, and a disruption in the flow of funds may jeopardize FAA's ability to carry out its improvement programs. Demand for air travel has increased in recent years, with over 740 million passengers flying in fiscal year 2006. Failing to meet infrastructure challenges in aviation may have significant consequences, since aviation is an integral part of the economy. To meet anticipated increases in commercial aviation travel, FAA and aviation stakeholders are developing new systems to modernize and increase capacity, but it is uncertain whether the current funding system can generate sufficient revenues to meet these budgetary needs.<sup>9</sup> FAA and some stakeholders have concerns that the costs of providing and modernizing air traffic control services might increase without a corresponding increase in revenues collected from users. Under one preliminary estimate of modernization costs, FAA's budget requirements would, on average, exceed fiscal year 2006 appropriation levels by approximately \$1 billion a year (in today's dollars)

<sup>9</sup>GAO-07-310.

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through 2025. To better connect FAA's revenues with the cost of air traffic control services that it provides, the President's budget for fiscal year 2008 has proposed replacing, in fiscal year 2009, FAA's current excise tax financing system, built largely around purchases of tickets and aviation fuel, with a cost-based user fee system. This new system would aim to recover the costs of providing air traffic control services through user fees for commercial operators and aviation fuel taxes for general aviation. However, some stakeholders believe that the current structure has been effective in funding FAA and can be successful in the future, although some modifications may be necessary. In addition, the President's budget has proposed cutting and reallocating federal funds for developing projects at the nation's 3,400 airports. FAA estimates the total cost for planned airport projects eligible for funding at approximately \$42 billion (in nominal dollars) for fiscal years 2007 through 2011. FAA is also proposing that Congress allow airports to collect more revenue from other sources to help offset any reductions. Adding to uncertainty, the current excise taxes that largely fund FAA revenue are scheduled to expire at the end of September 2007, unless there is congressional action to renew them or provide an alternative source of funding to avoid a lapse of revenue in fiscal year 2008.

Freight traffic is projected to grow substantially, putting strain on ports, highways, railroads, and airports, but current public planning and financing impede strategies to address capacity investment, and industry's ability to fund its capacity increases to meet growth is largely uncertain.<sup>10</sup> Freight mobility—the ability to move goods—is a driver of economic growth, and increasing congestion and unreliability of transportation systems can have severe economic consequences. In the future, Congress is likely to receive funding requests for additional freight projects and face decisions about the federal role in the nation's freight infrastructure.

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## Improving Mobility through Intermodal and Modal Approaches

While the federal government has made huge investments in our nation's transportation infrastructure in the last 50 years, the expansion of this infrastructure has not kept pace with needs and the system is currently under great strain. Congestion across modes—estimated to cost \$200 billion per year—is significant and is projected to worsen. For example,

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<sup>10</sup>GAO, *Freight Railroads: Industry Health Has Improved, but Concerns about Competition and Capacity Should be Addressed*, GAO-07-94 (Washington, D.C.: Oct. 6, 2006) and *Freight Transportation: Strategies Needed to Address Planning and Financing Limitations*, GAO-04-165 (Washington, D.C.: Dec. 19, 2003).

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travel on roads is expected to increase by about 25 percent from 2000 to 2010, freight traffic is expected to increase by 92 percent from 2002 to 2035, and demand for air travel is expected to climb by about 35 percent from 2006 to 2015. To help address congestion concerns, the federal government spends billions of dollars each year to build, maintain, operate, and improve the nation's aging transportation system. As congestion increases, federal policymakers face the challenge of ensuring that funds are used efficiently in order to prevent congestion from overwhelming the system. However, currently there is little assurance that the projects selected and funded best meet national goals for meeting the nation's mobility needs.

The department and Congress have recently taken a number of new actions to address this major threat to our nation's economic growth and quality of life. In May 2006, the department announced a national strategy that will provide \$175 million to local governments to demonstrate and test innovative ideas for curbing congestion. Certain large-scale pilot projects would be chosen based on their sponsors' willingness to implement a comprehensive congestion reduction strategy, including congestion pricing,<sup>11</sup> commuter transit services, and commitments from businesses to expand flexible work schedules. The strategy also includes initiatives to encourage private sector investment in transportation infrastructure, promote the use of operational and technological improvements, address major freight bottlenecks, and accelerate major aviation capacity projects, among other things. The department is also implementing a number of new initiatives to mitigate congestion that were called for in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), including programs to allow states to monitor, in real-time, traffic conditions on major highways and new funding for projects that have national or regional benefits. In addition, SAFETEA-LU established a commission that will report on ways to raise revenue for highway and transit projects and also reduce the costs of congestion. Finally, in the aviation arena, FAA is the primary implementer of a multiagency effort to transform the air traffic control system in order to safely handle projected growth in the demand for air travel. I will further discuss this effort later in my statement.

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<sup>11</sup> Congestion pricing involves charging surcharges or tolls to drivers who choose to travel during peak periods when their use of the roads increases congestion.

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While these steps are encouraging, successfully addressing the nation's mobility challenges requires strategic and intermodal approaches and solutions.<sup>12</sup> The nation faces a growing fiscal crisis that challenges it to fundamentally reexamine existing government programs and commitments and to make tough choices in setting priorities and linking resources to results. In particular, the Highway Trust Fund—the largest source of federal funding for transportation—was created in 1956 for the purpose of constructing the interstate highway system and, although that system is now complete, the basic construct of the program, in terms of financing and delivery mechanisms, has not changed. In addition, this and other federal transportation programs do not have mechanisms to link funding levels with the accomplishment of specific performance-related goals and outcomes related to mobility. Most highway grant programs are apportioned by formula, without regard to the needs or capacity of recipients. In addition, the preponderance of evidence suggests that federal-aid highway grants have influenced state and local governments to substitute federal funds for state and local funds that otherwise would have been spent on highways. State and local governments have broad flexibility to select most projects that receive federal funding. As such, there is little assurance that the projects selected and funded best meet national goals for addressing the nation's mobility needs.<sup>13</sup> Intercity passenger rail service is also at a critical juncture, with the existing system in poor condition and federal subsidies—over \$1 billion annually in recent years—not targeted to the greatest public benefits, including congestion relief.<sup>14</sup>

Furthermore, transportation programs and funding mechanisms are largely stovepiped by modes of transportation. For example, while passenger and freight travel occurs on all modes, federal funding and planning requirements focus largely on highway, transit, and aviation passenger travel. This framework makes it difficult for intermodal projects and other modal projects (e.g., freight or passenger rail) to be integrated

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<sup>12</sup>GAO-05-325SP.

<sup>13</sup>GAO, *Highway and Transit Investments: Options for Improving Information on Projects' Benefits and Costs and Increasing Accountability for Results*, GAO-05-172 (Washington, D.C.: Jan. 24, 2005); *Federal-Aid Highways: Trends, Effect on State Spending, and Options for Future Program Design*, GAO-04-802 (Washington, D.C.: Aug. 31, 2004) and *Surface and Maritime Transportation: Developing Strategies for Enhancing Mobility: A National Challenge*, GAO-02-775 (Washington, D.C.: Aug. 30, 2002).

<sup>14</sup>GAO, *Intercity Passenger Rail: National Policy and Strategies Needed to Maximize Public Benefits from Federal Expenditures*, GAO-07-15 (Washington, D.C.: Nov. 13, 2006).



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into the transportation system. We have found, for example, that the limited visibility that freight projects receive in the process for planning and prioritizing transportation projects as well as the lack of a comprehensive evaluation approach, such as a cost-benefit framework, impedes the implementation of improvements to better ensure that systemwide, multimodal solutions are considered and adopted where appropriate. It is unlikely that mobility can be enhanced unless major modes—air, highway, rail, transit, and water—are well connected. However, intermodal connections, such as multimodal passenger terminals and roads that link freight terminals and major highways, are among the transportation system's weakest links.<sup>15</sup>

The critical issues facing Congress and the department to effectively address congestion problems and enhance the nation's mobility include:

- How narrowly or broadly should the federal role be defined?
- Should federal programs be more closely aligned with specific national interests and purposes, such as interstate freight mobility?
- Should formulas be revised to better consider need, performance, capacity, and effort by states and localities?
- Can intermodal solutions be effectively carried out within the existing federal modal program framework, or is another model needed?

Finally, a high priority should be maximizing the benefits of federal investments in transportation infrastructure and ensuring accountability for results. Each year, FHWA distributes billions of dollars—\$34.2 billion in fiscal year 2006—to state governments for projects aimed at improving the nation's highway systems.<sup>16</sup> However, we have found that often formal analyses are not used in deciding among alternative projects, projects often do not meet anticipated outcomes, and evaluations of outcomes are

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<sup>15</sup>See GAO-07-94; GAO-04-165; *Intermodal Transportation: Challenges to and Potential Strategies for Developing Improved Intermodal Capabilities*, GAO-06-855T (Washington, D.C.: June 15, 2006); and *Intermodal Transportation: Potential Strategies Would Redefine Federal Role in Developing Airport Intermodal Capabilities*, GAO-05-727 (Washington, D.C.: July 26, 2005).

<sup>16</sup>Once FHWA distributes funds to the states, funds are available to be obligated by the states for construction, reconstruction, and improvement of highways and bridges on eligible federal aid-highway routes and for other purposes authorized in law.

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not typically conducted.<sup>17</sup> Furthermore, we have reported on the need for improving accountability for results in FHWA's oversight of projects, through goals and performance measures, for example.<sup>18</sup> The agency has made progress in this area, partly in response to mandated improvements in SAFETEA-LU, but a continued focus on efforts to improve accountability will be important. Finally, FAA provides funds to airport operators to provide increased capacity at the nation's airports and has estimated that the total cost for planned projects eligible for federal grants for fiscal years 2007 through 2011 will be \$42 billion. While changes the Administration is proposing may reduce the amount FAA provides, it will be essential to ensure that public benefits from these investments are maximized.

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## Improving Transportation Safety

Each year, tens of thousands of people are killed and millions are injured in transportation accidents in the United States. In 2005 alone, over 44,000 people were killed and over 2.5 million were injured in highway, aviation, railroad, transit, and pipeline accidents.<sup>19</sup> (See fig. 3.) Motor vehicle crashes, in particular, exact an enormous personal and economic toll on this country and are the leading cause of death for people aged 3 through 33. While transportation safety has improved considerably over the past 4 decades, in recent years, fatalities have plateaued.<sup>20</sup> Since the highest pay-off actions—such as improvements in vehicle crashworthiness and increases in seat belt use—have occurred, future progress will be more difficult. Of particular concern is the limited progress in improving safety

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<sup>17</sup>GAO-05-172.

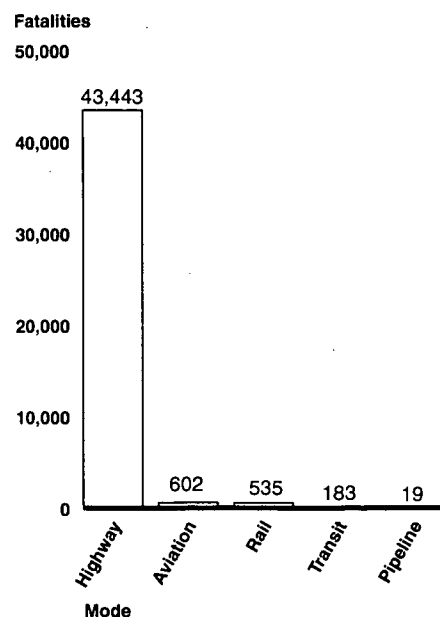
<sup>18</sup>See GAO, *Federal-Aid Highways: FHWA Needs a Comprehensive Approach to Improving Project Oversight*, GAO-05-173 (Washington, D.C.: Jan. 31, 2005). The Department of Transportation's Inspector General has also found that a top management challenge for the department is making the most of federal resources for surface infrastructure improvements through continued emphasis on project oversight. See Office of the Inspector General, U.S. Department of Transportation, *Department of Transportation's Fiscal Year 2007 Top Management Challenges*, PT-2007-004 (Washington, D.C.: 2006).

<sup>19</sup>In addition, according to the Bureau of Transportation Statistics, in 2004, 769 people were killed in waterborne transportation accidents and, in 2003, 4,666 were injured in these types of accidents. These are the latest years for which these data are available. In 2003, the Coast Guard, which is responsible for maritime safety, was transferred from the Department of Transportation to the Department of Homeland Security.

<sup>20</sup>Motor vehicle fatalities, adjusted for the level of travel, have shown some improvement over the last decade, falling from 1.7 deaths per 100 million vehicle miles traveled in 1995 to 1.5 in 2005.

on our nation's roads, where about 95 percent of all transportation fatalities occur. Furthermore, motorcycle fatalities have steadily increased over the past decade (to over 4,500 in 2005). While nonhighway modes of travel are much safer, safety in these modes—such as aviation and rail—is also a major concern because when accidents occur, they can have catastrophic consequences. Projected increases in congestion across modes, as a result of population and economic growth, could cause a deterioration in transportation safety in the future despite vigorous efforts to reduce accidents.

**Figure 3: Fatalities by Transportation Mode, 2005**



Source: Bureau of Transportation Statistics.

Note: Aviation figures are preliminary. Of the 602 aviation fatalities, 562 occurred in general aviation, which covers all civil aircraft not flown by commercial airlines or the military.

To address these problems, the department has designated improving safety as its highest priority. Its efforts to improve surface transportation safety are wide-ranging and include programs to change driver behaviors—such as alcohol use and speeding—that cause accidents; enhance motor vehicle safety; improve the safety of highway and intersection infrastructure; and improve safety performance in the motor carrier, railroad, transit, and pipeline industries. SAFETEA-LU established

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an incentive grant program—which has been quite successful—to encourage states to pass primary seat belt laws.<sup>21</sup> SAFETEA-LU also mandated a number of other promising new initiatives, including a grant program for highway safety that provides states with flexibility to target funds to their most critical safety needs. Under this program, states are required to prepare strategic highway safety plans, based on an analysis of safety data, and to assess results. FAA focuses on improving safety in commercial aviation, in which accidents are rare but have the potential for a large loss of life, as well as in general aviation. The agency's safety activities include air traffic control as well as certification and inspection of various participants in the aviation industry, such as commercial airlines, flight schools, and aircraft manufacturers.

While the department's many efforts to improve transportation safety are to be commended, certain areas require increased attention. In particular, improvements in data, performance measures, and evaluations are needed to determine whether programs are achieving intended results. For example, in reviewing certain programs of the Federal Motor Carrier Safety Administration aimed at improving driver behavior, we found that, in some cases, funds were being directed to initiatives that lacked information on whether they worked and that evaluations of program impacts were not planned for a number of years.<sup>22</sup> In reviewing a NHTSA grant program to help states improve the quality of their traffic safety data, we found that the agency did not have an effective process in place for monitoring progress.<sup>23</sup> We have also found that the effectiveness of the department's efforts to oversee and improve the safety performance of airlines, truck companies, pipeline companies, and railroads is unclear

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<sup>21</sup>Primary enforcement seat belt laws allow police officers to stop vehicles and write citations whenever they observe violations of safety belt laws. Since SAFETEA-LU was signed into law, three states have enacted primary seat belt laws, bringing the total number of states with such laws to 25.

<sup>22</sup>GAO, *Truck Safety: Share the Road Safety Pilot Initiative Showed Promise, but the Program's Future Success Is Uncertain*, GAO-06-916 (Washington, D.C.: Sept. 8, 2006) and *Federal Motor Carrier Safety Administration: Education and Outreach Programs Target Safety and Consumer Issues, but Gaps in Planning and Evaluation Remain*, GAO-06-103 (Washington, D.C.: Dec. 19, 2005). In addition, in reviewing NHTSA's grants to states for reducing alcohol-impaired driving, the department's Inspector General has found that the agency's ability to gauge the effectiveness of these programs would be improved if states had established performance measures. See PT-2007-004.

<sup>23</sup>GAO, *Highway Safety: Improved Monitoring and Oversight of Traffic Safety Data Program Are Needed*, GAO-05-24 (Washington, D.C.: Nov. 4, 2004).

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because of limitations in data, performance measures, and evaluation.<sup>24</sup> For example, agencies need to develop better measures of the direct results of their efforts—such as safety improvements made as a result of enforcement of safety standards—that contribute toward reductions in accidents. Performance measures and evaluations, supported by appropriate data, provide managers with information on program results that helps them make decisions that can improve performance, including decisions to refine programs and adjust policies and priorities. This information can also hold agencies accountable for the performance of their programs and support congressional oversight. While agencies have been making progress in this area in response to our recommendations as well as some mandated improvements in SAFETEA-LU, it is important that the department continue to improve information on the performance of its safety programs to have greater assurance that they are producing desired effects.

Furthermore, the department's ability to maintain the high level of safety in the aviation industry will depend to a large extent on FAA's ability to hire, train, and deploy its primary workforce, including safety inspectors and air traffic controllers. FAA must overcome several key challenges in this area. Planned changes in the agency's oversight approach for air carriers will result in workload shifts for its inspectors that will make it important for FAA to improve its staffing process. In addition, the agency plans to hire almost 12,000 new air traffic controllers by 2015 to replace retiring controllers and accommodate increases in air traffic and will need to train these new controllers and incorporate them into its workforce.<sup>25</sup>

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<sup>24</sup>GAO, *Aviation Safety: FAA's Safety Oversight System Is Effective but Could Benefit from Better Evaluation of Its Programs' Performance*, GAO-06-266T (Washington, D.C.: Nov. 17, 2005); *Large Truck Safety: Federal Enforcement Efforts Have Been Stronger Since 2000, but Oversight of State Grants Needs Improvement*, GAO-06-156 (Washington, D.C.: Dec. 15, 2005); *Natural Gas Pipeline Safety: Integrity Management Benefits Public Safety, but Consistency of Performance Measures Should be Improved*, GAO-06-946 (Washington, D.C.: Sept. 8, 2006); and *Rail Safety: The Federal Railroad Administration Is Taking Steps to Better Target Its Oversight, but Assessment of Results Is Needed to Determine Impact*, GAO-07-149 (Washington, D.C.: Jan. 26, 2007).

<sup>25</sup>GAO, *Federal Aviation Administration: Challenges Facing the Agency in Fiscal Year 2008 and Beyond*, GAO-07-490T (Washington, D.C.: Feb. 14, 2007) and *Aviation Safety: FAA's Safety Efforts Generally Strong but Face Challenges*, GAO-06-1091T (Washington, D.C.: Sept. 20, 2006).

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## Managing the Transition to the Next Generation Air Transportation System

The current approach to managing air transportation is becoming increasingly inefficient and operationally obsolete. In 2003, Congress authorized the creation of the JPDO, housed within FAA, to plan for and coordinate the transition to NextGen, a complex and ambitious multiagency undertaking that is intended to upgrade the system by 2025 to safely accommodate increased air traffic. As the primary implementer of the transition to NextGen, FAA faces challenges in moving from planning to implementation, including institutionalizing management reforms it has made in recent years, obtaining financial and technical resources and expertise, and collaborating with JPDO on planning efforts.<sup>26</sup> If FAA does not meet these challenges, the realization of NextGen goals could be severely compromised. Without a timely transition to NextGen capabilities, JPDO officials estimate a future gap between the demand for air transportation and available capacity that could cost the U.S. economy billions of dollars annually.

FAA has had systemic management and acquisition problems that have led us to designate its air traffic control modernization program as high-risk since 1995. However, FAA has made significant progress in recent years. For example, FAA established the Air Traffic Organization to operate and modernize the air traffic control system. This organization is headed by a Chief Operating Officer who has focused on implementing more businesslike management and acquisition processes to address cost, schedule, and performance shortfalls that plagued air traffic control modernization in the past. FAA has reduced organizational stovepipes, increased accountability for costs, and begun investment reviews of major acquisitions. FAA has reported meeting its acquisition cost and schedule goals for the last 3 years.

JPDO has completed some initial planning necessary for implementing NextGen. For example, JPDO has been developing an enterprise architecture, or technical blueprint, that it expects will provide more clarity regarding its expectations for NextGen, thereby facilitating (1) coordination among JPDO's partner agencies<sup>27</sup> and private sector

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<sup>26</sup>GAO, *Next Generation Air Transportation System: Progress and Challenges Associated with the Transformation of the National Airspace System*, GAO-07-25 (Washington, D.C.: Nov. 13, 2006).

<sup>27</sup>In addition to FAA, these agencies include the Departments of Transportation, Commerce, Defense, and Homeland Security; the National Aeronautics and Space Administration; and the White House Office of Science and Technology Policy.

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manufacturers, (2) alignment across agencies of research and development activities with the blueprint, and (3) integration of modernized systems in a way that minimizes overlap and duplication and maximizes integration. As we reported in November 2006, a limited, preliminary cost estimate concluded that FAA's budget under a NextGen scenario would average about \$15 billion per year through 2025, or about \$1 billion more annually (in today's dollars), on average, than FAA's fiscal year 2006 appropriation.<sup>28</sup>

Despite its progress, as the key implementer of NextGen, FAA needs to institutionalize improvements made and continuously improve. For example, we recommended that, before making decisions to fund systems already in service, FAA re-evaluate projects' alignment with strategic goals and objectives, but FAA's acquisition management guidance does not clearly indicate if this is yet the case. The agency developed a cost estimating methodology, but has yet to implement it, as well as a framework for improving system management capabilities, but has yet to institutionalize it. Additionally, we recently recommended that FAA examine its strengths and weaknesses with regard to the technical expertise and contract management expertise necessary to transition to NextGen.<sup>29</sup> In response, FAA is considering convening a blue ribbon panel to make recommendations, which we believe could help the agency begin to address this concern.

JPDO faces challenges in coordinating agencies and continuing planning necessary for implementation of NextGen. For example, work remains to synchronize NextGen's enterprise architecture with the partner agencies' planning documents and to keep the necessary research and development on track. In addition, JPDO has yet to provide Congress with a valid, comprehensive estimate of the costs to JPDO partner agencies for the required research, development, systems acquisitions, and systems integration.<sup>30</sup> Finally, continuing collaboration between JPDO and the

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<sup>28</sup>This preliminary estimate—developed by the Research, Engineering and Development Advisory Committee, an advisory committee to FAA—indicates that costs for a status quo scenario (i.e., no NextGen) would also be about \$15 billion per year through 2025. This is due primarily to the expectation that, under the NextGen scenario, capital expenditures would be higher than under the status quo scenario in the near term, but operations costs would be lower because of productivity improvements in the longer term.

<sup>29</sup>GAO-07-25.

<sup>30</sup>GAO-07-490T.

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Office of Management and Budget is needed to allow the budget agency to make funding decisions based on a unified NextGen program. The Congressional Research Service has pointed out that Congress may examine options to align the budgets of the agencies involved, given that JPDO does not have authority over funding, personnel, and resources.<sup>31</sup>

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## Building Human Capital Strategies

The department and the transportation sector as a whole face persistent human capital challenges that put their mission performance at risk. Building human capital strategies that will allow the department and the transportation sector to attract, hire, and retain an effective workforce is an overarching issue that directly affects their ability to respond to the challenges I have outlined today.<sup>32</sup> In particular, both are confronted with an impending shortage of skilled people that threatens to have serious short- and long-term consequences. For example, FAA alone expects to lose about 10,000, or 70 percent, of its air traffic controllers over the next 10 years, mostly due to retirement. For the department and the transportation sector as a whole, the growing demand for transportation services will collide with the reality of fewer people entering transportation-related fields. Further complicating this shortage, changes in intergovernmental responsibilities for delivering transportation services, new travel patterns, advances in technology, and changed public expectations are redefining the competencies and skills that are needed. Increasingly, transportation will require more diverse, sophisticated management and technical competencies than ever before.

The department has acknowledged that accomplishing its mission depends on a strategic approach to human capital, and it is taking steps to adopt such an approach. For example, in 2005, the agency piloted a program to expand entry-level hiring in mission-critical occupations. Also, in 2006, the agency increased its investments in human capital by 48 percent. Furthermore, the agency is working to align its human capital initiatives to meet the President's Management Agenda. In the department's current performance and accountability report, the Office of

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<sup>31</sup>Congressional Research Service, *Reauthorization of the Federal Aviation Administration: Background and Issues for Congress* (Washington, D.C.: January 29, 2007).

<sup>32</sup>We added strategic human capital management as a governmentwide high-risk area in 2001 because federal agencies lacked a strategic approach to human capital management that integrates human capital efforts with agency mission and program goals. See GAO-07-310.



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Management and Budget awarded the department top marks for current and prospective progress on its human capital initiative. However, the department has not convinced its workforce about these results. In the results of the 2006 federal employee human capital survey, the employees scored the department lower in each of the four broad areas than they did in 2004, when the survey was last conducted. Among the 36 federal agencies surveyed, the department finished in the bottom 10 for talent management and job satisfaction and in the bottom 3 for fostering a results-oriented performance culture and for leadership and knowledge management. The department will need to take further actions to address these issues, to improve its ability to respond to the challenges it faces.

Across the transportation sector, transportation agencies are also taking steps to improve human capital practices, by identifying organizational and staff competency needs, as well as other gaps. They are also beginning to investigate nontraditional sources for qualified employees, such as highly qualified retirees from other organizations, as well as ways to develop individual competencies by training the existing workforce. While these efforts are promising, these agencies vary widely, and although each has its own unique capabilities and resources to address workforce needs, all have limited resources. Furthermore, few have addressed their future workforce needs comprehensively, which further complicates efforts to predict how many people in specific job categories for each type of agency will be needed in 5 or 10 years.<sup>33</sup>

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### Fostering Improved Departmental Financial Management

In 2003, we cited financial management as a major challenge facing the Department of Transportation, specifically, identifying weaknesses in the accuracy and reliability of FAA's financial information.<sup>34</sup> In recent years, the department has made significant progress in managing its finances, including substantial improvements in FAA's financial management systems and practices. Improvements have included installing a departmentwide financial system, including a new general ledger system and integrated property systems at FAA, as well as receiving unqualified opinions on its financial statements from auditors for several fiscal years

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<sup>33</sup>Transportation Research Board, *The Workforce Challenge: Recruiting, Training, and Retaining Qualified Workers for Transportation and Transit Agencies*, Special Report 275 (Washington, D.C.: 2003).

<sup>34</sup>GAO-03-108.

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in a row. As a result of this progress, in 2005, we removed FAA's financial management from our high-risk list.

While progress has been made, work remains to ensure that the Department of Transportation soundly manages its finances and accounts for its use of federal and other funds. For fiscal year 2006, the department received a qualified opinion on its financial statements and the auditors cited two material internal control weaknesses.<sup>35</sup> This qualified opinion resulted from a material weakness at FAA relating to management's inability to support the accuracy and completeness of a \$4.7 billion account used for equipment and facility projects. The department's Office of the Inspector General has reported that correcting this deficiency will be critical for FAA to meet its stated goal of sound financial management.<sup>36</sup> The other material weakness involves the financial management, reporting, and oversight of the Highway Trust Fund agencies.<sup>37</sup> During fiscal year 2006, trust fund agencies implemented significant improvements over several previously reported deficiencies. However, weaknesses remained in several areas, including a lack of policies and procedures to ensure more timely correction of any abnormal account balances and concerns with the preparation and analysis of financial statements. The Inspector General has listed several additional steps to further improve oversight of the trust fund, including better detection of improper payments and development of realistic project cost estimates.<sup>38</sup>

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<sup>35</sup> A material weakness can involve one or more of the following categories: significant weakness of safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, or other assets; violates statutory authority; results in a conflict of interest; deprives the public of significant services, or seriously affects safety or the environment; impairs the fulfillment of the agency's mission, and/or would result in significant adverse effects on agency credibility.

<sup>36</sup> Department of Transportation Office of the Inspector General, PT-2007-004

<sup>37</sup> Agencies using Highway Trust Fund funds include the Federal Highway Administration, National Highway Traffic Safety Administration, Federal Transit Administration, Federal Railroad Administration, Federal Motor Carrier Safety Administration, and Research and Innovative Technology Administration.

<sup>38</sup> Department of Transportation Office of the Inspector General, PT-2007-004.

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## Improving Transportation Security and Emergency Preparedness and Response

The size and interconnectedness of the nation's transportation systems make it highly difficult to secure against attack. In 2003, we cited transforming transportation security as a major challenge facing the Department of Transportation.<sup>39</sup> In recent years, Congress has shifted many of the department's security responsibilities to the Department of Homeland Security, which now has primary responsibility for securing the nation's transportation infrastructure, including aviation, railroad, pipeline, and other systems. The Department of Transportation has retained some involvement in securing transportation infrastructure, in part, due to overlap with its safety efforts involving freight, including the transportation of hazardous materials, and passenger rail. In light of these changes, the department faces the challenge of working with the Department of Homeland Security to clarify its remaining role in securing the nation's transportation infrastructure. The sheer number of stakeholders involved in securing transportation modes can sometimes lead to communication challenges, duplication of effort, and confusion about roles and responsibilities. For example, the department's safety standards have at times conflicted with the Department of Homeland Security's security standards. Both departments have begun efforts to strengthen coordination and cooperation to promote the security of the transportation system. The departments have signed a memorandum of understanding to define broad areas of responsibility for each department and to delineate specific security related roles, responsibilities, resources, and commitments for mass transit, rail, and other matters.<sup>40</sup> However, the departments' coordination efforts in this area are ongoing.

The department also coordinates with the Department of Homeland Security in developing protective measures affecting transportation and has statutory roles related to emergency preparedness, response, and recovery. This encompasses programs like FHWA's Emergency Relief program, which provides funding to states to repair or reconstruct highways and roads damaged or destroyed in disasters.<sup>41</sup> During times of disaster, the department plays a significant role as the lead and supporting agency for coordinating transportation support. In this role, it is primarily responsible for coordinating the provision of federal and civil

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<sup>39</sup>GAO-03-108.

<sup>40</sup>GAO, *Passenger Rail Security: Federal Strategy and Enhanced Coordination Needed to Prioritize and Guide Security Efforts*, GAO-07-459T (Washington, D.C.: Feb. 13, 2007).

<sup>41</sup>GAO, *Highway Emergency Relief: Reexamination Needed to Address Fiscal Imbalance and Long-Term Sustainability*, GAO-07-245 (Washington, D.C.: Feb. 23, 2007).

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transportation services, as well as the recovery and restoration of transportation infrastructure, among other things. In the future, the department will be tasked to further clarify its roles and responsibilities with the Department of Homeland Security in planning for and providing evacuation assistance. Catastrophic disasters like Hurricane Katrina demonstrate the importance of transportation preparedness and response to ensure the safe evacuation of citizens in emergencies when state and local governments are overwhelmed.<sup>42</sup> Yet the department's responsibilities in providing evacuation assistance have not been entirely clear. In addition, despite recent progress by the federal government in providing evacuation assistance, gaps remain. For example, the Department of Homeland Security has not yet clarified, in the federal government's plan for disaster response, the leading, coordinating, and supporting federal agencies to provide evacuation assistance when state and local governments are overwhelmed, and what their responsibilities are. One White House report recommended that the Department of Transportation be designated as the agency responsible for developing the federal government's capability to carry out mass evacuations when state and local governments are overwhelmed.<sup>43</sup>

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Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Subcommittee might have.

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## GAO Contacts and Staff Acknowledgement

For further information on this statement, please contact Patricia Dalton at (202) 512-2834 or [Daltonp@gao.gov](mailto:Daltonp@gao.gov). Individuals making key contributions to this testimony were Matthew Cail, Judy Guilliams-Tapia, Marietta Mayfield, Margaret Vo, and James Ratzenberger.

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<sup>42</sup>GAO, *Transportation-Disadvantaged Populations: Actions Needed to Clarify Responsibilities and Increase Preparedness for Evacuations*, GAO-07-44 (Washington, D.C.: Dec. 22, 2006).

<sup>43</sup>White House Homeland Security Council, *The Federal Response to Hurricane Katrina: Lessons Learned* (Washington, D.C.: Feb. 2006).

# Appendix I: Ongoing GAO Work Related to Transportation Challenges

Description (expected completion)	GAO contact
<b>Transportation financing</b>	
• Airport capital development funding (early 2007)	Gerald Dillingham (202) 512-2834 DillinghamG@gao.gov
• Federal role in overseeing and funding railroad bridge and tunnel projects (mid 2007)	JayEtta Hecker (202) 512-2834 HeckerJ@gao.gov
• GAO forum on transforming transportation policy (mid 2007)	
• The Federal Transit Administration's New Starts program (mid 2007)	Katherine Siggerud (202) 512-2834 SiggerudK@gao.gov
<b>Mobility</b>	
• The Federal Transit Administration's implementation and oversight of the New Freedom program (TBD <sup>a</sup> )	Kay Brown (202) 512-2834 BrownKE@gao.gov
• Operational, capacity, and safety issues associated with the Airbus A380 (early 2007)	Gerald Dillingham (202) 512-2834 DillinghamG@gao.gov
• Introduction of very light jets into the national airspace system (mid 2007)	Susan Fleming (202) 512-2834 FlemingS@gao.gov
• Approaches to the efficient use of existing transportation infrastructure (mid 2007)	JayEtta Hecker (202) 512-2834 HeckerJ@gao.gov
• Freight bottlenecks (late 2007)	
• Public-private partnerships in transportation (late 2007)	
• Restructuring the federal-aid highway program (TBD <sup>a</sup> )	
• Trends and performance of state contracting with the private sector (TBD <sup>a</sup> )	
• Port preparedness and mobility of goods during natural disasters (early 2007)	Katherine Siggerud (202) 512-2834 SiggerudK@gao.gov
• Barriers in addressing intermodal solutions to transportation mobility challenges (mid 2007)	
• Corporate Average Fuel Economy program policy options (mid 2007)	
• Surface transportation compliance with the Americans with Disabilities Act of 1990 (late 2007)	
<b>Safety</b>	
• The public safety impact of the Transportation Security Administration's modifications to the prohibited items list (early 2007 <sup>b</sup> )	Cathleen Berrick (202) 512-3404 BerrickC@gao.gov
• Implementation progress of the Uniform Carrier Registration program (TBD <sup>a</sup> )	Kay Brown (202) 512-2834 BrownKE@gao.gov

<b>Description (expected completion)</b>	<b>GAO contact</b>
<ul style="list-style-type: none"> <li>Operational, capacity, and safety issues associated with the Airbus A380 (early 2007)</li> <li>Airport runway safety and the role of the Federal Aviation Administration (late 2007)</li> </ul>	Gerald Dillingham (202) 512-2834 DillinghamG@gao.gov
<ul style="list-style-type: none"> <li>Identification of motor carriers that pose a high risk for crashes (mid 2007)</li> <li>Federal Motor Carrier Safety Administration identification and monitoring of unsafe motor carriers (mid 2007)</li> </ul>	Susan Fleming (202) 512-2834 FlemingS@gao.gov
<ul style="list-style-type: none"> <li>Safety standards for older drivers (early 2007)</li> <li>Emerging trends in and challenges to preventing highway fatalities (late 2007)</li> </ul>	Katherine Siggerud (202) 512-2834 SiggerudK@gao.gov
<b>Next generation air transportation system</b>	
<ul style="list-style-type: none"> <li>Survey of Joint Planning and Development Office stakeholders (mid 2007)</li> <li>The Federal Aviation Administration's air traffic control modernization program (mid 2007)</li> </ul>	Gerald Dillingham (202) 512-2834 DillinghamG@gao.gov
<b>Human capital strategies</b>	
No ongoing work	
<b>Financial management</b>	
<ul style="list-style-type: none"> <li>The Federal Aviation Administration's financial management efforts (mid 2007)</li> <li>Highway transit funding authority (mid 2007)</li> </ul>	Gerald Dillingham (202) 512-2834 DillinghamG@gao.gov  Katherine Siggerud (202) 512-2834 SiggerudK@gao.gov
<b>Security and emergency preparedness and response</b>	
<ul style="list-style-type: none"> <li>Research and development of aviation passenger checkpoint screening technologies (mid 2007<sup>b</sup>)</li> <li>Planning and implementation efforts to ensure the security of commercial vehicles (TBD<sup>a,b</sup>)</li> <li>Vulnerabilities of tank vessels to terrorist attack (early 2007<sup>b</sup>)</li> <li>Port preparedness and mobility of goods during natural disasters (early 2007)</li> <li>The Federal Transit Authority's emergency assistance for transit agencies (TBD<sup>a</sup>)</li> </ul>	Cathleen Berrick (202) 512-3404 BerrickC@gao.gov  Stephen Caldwell (202) 512-9610 CaldwellS@gao.gov  Katherine Siggerud (202) 512-2834 SiggerudK@gao.gov

Source: GAO.

<sup>a</sup>To be determined

<sup>b</sup>This report may not be publicly available at this time because it may contain security sensitive information.

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# Related GAO Products

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The following are the most pertinent GAO products to the topics discussed in this hearing statement since our 2003 report on management challenges facing the Department of Transportation. Other products can be found at GAO's Website at [www.gao.gov](http://www.gao.gov).

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## Financing the Nation's Transportation System

*Intercity Passenger Rail: National Policy and Strategies Needed to Maximize Public Benefits from Federal Expenditures.* GAO-07-15. Washington, D.C.: November 13, 2006.

*Freight Railroads: Industry Health Has Improved, but Concerns about Competition and Capacity Should Be Addressed.* GAO-07-94. Washington, D.C.: October 6, 2006.

*Aviation Finance: Observations on Potential FAA Funding Options.* GAO-06-973. Washington, D.C.: September 29, 2006.

*National Airspace System Modernization: Observations on Potential Funding Options for FAA and the Next Generation Airspace System.* GAO-06-1114T. Washington, D.C.: September 27, 2006.

*Highway Finance: States' Expanding Use of Tolling Illustrates Diverse Challenges and Strategies.* GAO-06-554. Washington, D.C.: June 28, 2006.

*Highway Trust Fund: Overview of Highway Trust Fund Estimates.* GAO-06-572T. Washington, D.C.: April 4, 2006.

*Federal Aviation Administration: An Analysis of the Financial Viability of the Airport and Airway Trust Fund.* GAO-06-562T. Washington, D.C.: March 28, 2006.

*Freight Transportation: Short Sea Shipping Option Shows Importance of Systematic Approach to Public Investment Decisions.* GAO-05-768. Washington, D.C.: July 29, 2005.

*Highlights of an Expert Panel: The Benefits and Costs of Highway and Transit Investments.* GAO-05-423SP. Washington, D.C.: May 6, 2005.

*Airport and Airway Trust Fund: Preliminary Observations on Past, Present, and Future.* GAO-05-657T. Washington, D.C.: May 4, 2005.

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*Highway and Transit Investments: Options for Improving Information on Projects' Benefits and Costs and Increasing Accountability for Results.* GAO-05-172. Washington, D.C.: January 24, 2005.

*Federal-Aid Highways: Trends, Effect on State Spending, and Options for Future Program Design.* GAO-04-802. Washington, D.C.: August 31, 2004.

*Surface Transportation: Many Factors Affect Investment Decisions.* GAO-04-744. Washington, D.C.: June 30, 2004.

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**Improving Mobility  
through Intermodal and  
Modal Approaches**

*Transportation-Disadvantaged Populations: Actions Needed to Clarify Responsibilities and Increase Preparedness for Evacuations.* GAO-07-44. Washington, D.C.: December 22, 2006.

*Federal Transit Administration: Progress Made in Implementing Changes to the Job Access Program, but Evaluation and Oversight Processes Need Improvement.* GAO-07-43. Washington, D.C.: November 17, 2006.

*Intercity Passenger Rail: National Policy and Strategies Needed to Maximize Public Benefits from Federal Expenditures.* GAO-07-15. November 13, 2006.

*Freight Railroads: Industry Health has Improved, but Concerns about Competition and Capacity Should Be Addressed.* GAO-07-94. Washington, D.C.: October 6, 2006.

*Commercial Aviation: Programs and Options for the Federal Approach to Providing and Improving Air Service to Small Communities.* GAO-06-398T. Washington, D.C.: September 14, 2006.

*Public Transportation: New Starts Program Is in a Period of Transition.* GAO-06-819. Washington, D.C.: August 30, 2006.

*Public Transportation: Preliminary Information on FTA's Implementation of SAFETEA-LU Changes.* GAO-06-910T. Washington, D.C.: June 27, 2006.

*Intermodal Transportation: Challenges to and Potential Strategies for Developing Improved Intermodal Capabilities.* GAO-06-855T. Washington, D.C.: June 15, 2006.



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*Commuter Rail: Commuter Rail Issues Should Be Considered in Debate over Amtrak.* GAO-06-470. Washington, D.C.: April 21, 2006.

*Transportation Services: Better Dissemination and Oversight of DOT's Guidance Could Lead to Improved Access for Limited English-Proficient Populations.* GAO-06-52. Washington, D.C.: November 2, 2005.

*Intermodal Transportation: Potential Strategies Would Redefine Federal Role in Developing Airport Intermodal Capabilities.* GAO-05-727. Washington, D.C.: July 26, 2005.

*Federal-Aid Highways: FHWA Needs a Comprehensive Approach to Improving Project Oversight.* GAO-05-173. Washington, D.C.: January 31, 2005.

*Highway and Transit Investments: Options for Improving Information on Projects' Benefits and Costs and Increasing Accountability for Results.* GAO-05-172. Washington, D.C.: January 24, 2005.

*Federal-Aid Highways: Trends, Effect on State Spending, and Options for Future Program Design.* GAO-04-802. Washington, D.C.: August 31, 2004.

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## Improving Transportation Safety

*Underinflated Tires in the United States.* GAO-07-246R. Washington, D.C.: February 9, 2007.

*Rail Safety: The Federal Railroad Administration Is Taking Steps to Better Target Its Oversight, but Assessment of Results is Needed to Determine Impact.* GAO-07-149. Washington, D.C.: January 26, 2007.

*Aviation Safety: FAA's Safety Efforts Generally Strong but Face Challenges.* GAO-06-1091T. Washington, D.C.: September 20, 2006.

*Natural Gas Pipeline Safety: Integrity Management Benefits Public Safety, but Consistency of Performance Measures Should Be Improved.* GAO-06-946. Washington, D.C.: September 8, 2006.

*Natural Gas Pipeline Safety: Risk-Based Standards Should Allow Operators to Better Tailor Reassessments to Pipeline Threats.* GAO-06-945. Washington, D.C.: September 8, 2006.

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*Truck Safety: Share the Road Safety Pilot Initiative Showed Promise, but the Program's Future Success Is Uncertain.* GAO-06-916. Washington, D.C.: September 8, 2006.

*Rail Transit: Additional Federal Leadership Would Enhance FTA's State Safety Oversight Program.* GAO-06-821. Washington, D.C.: July 26, 2006.

*Federal Motor Carrier Safety Administration: Education and Outreach Programs Target Safety and Consumer Issues, but Gaps in Planning and Evaluation Remain.* GAO-06-103. Washington, D.C.: December 19, 2005.

*Large Truck Safety: Federal Enforcement Efforts Have Been Stronger Since 2000, but Oversight of State Grants Needs Improvement.* GAO-06-156. Washington, D.C.: December 15, 2005.

*Highway Safety: Further Opportunities Exist to Improve Data on Crashes Involving Commercial Motor Vehicles.* GAO-06-102. Washington, D.C.: November 18, 2005.

*Aviation Safety: FAA's Safety Oversight System Is Effective but Could Benefit from Better Evaluation of Its Programs' Performance.* GAO-06-266T. Washington, D.C.: November 17, 2005.

*Aviation Safety: System Safety Approach Needs Further Integration into FAA's Oversight of Airlines.* GAO-05-726. Washington, D.C.: September 28, 2005.

*Vehicle Safety: Opportunities Exist to Enhance NHTSA's New Car Assessment Program.* GAO-05-370. Washington, D.C.: April 29, 2005.

*Highway Safety: Improved Monitoring and Oversight of Traffic Safety Data Program are Needed.* GAO-05-24. Washington, D.C.: November 4, 2004.

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**Managing the Transition to the Next Generation Air Transportation System**

*Federal Aviation Administration: Challenges Facing the Agency in Fiscal Year 2008 and Beyond.* GAO-07-490T. Washington, D.C.: February 14, 2007.

*Next Generation Air Transportation System: Progress and Challenges Associated with the Transformation of the National Airspace System.* GAO-07-25. Washington, D.C.: November 13, 2006.

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*Next Generation Air Transportation System: Preliminary Analysis of Progress and Challenges Associated with the Transformation of the National Airspace System.* GAO-06-915T. Washington, D.C.: July 25, 2006.

*Air Traffic Control Modernization: Status of the Current Program and Planning for the Next Generation Air Transportation System.* GAO-06-653T. Washington, D.C.: June 21, 2006.

*Next Generation Air Transportation System: Preliminary Analysis of the Joint Planning and Development Office's Planning, Progress, and Challenges.* GAO-06-574T. Washington, D.C.: March 29, 2006.

*National Airspace System: Transformation will Require Cultural Change, Balanced Funding Priorities, and Use of All Available Management Tools.* GAO-06-154. Washington, D.C.: October 14, 2005.

*National Airspace System: FAA Has Made Progress but Continues to Face Challenges in Acquiring Major Air Traffic Control Systems.* GAO-05-331. Washington, D.C.: June 10, 2005.

*Federal Aviation Administration: Stronger Architecture Program Needed to Guide Systems Modernization Efforts.* GAO-05-266. Washington, D.C.: April 29, 2005.

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## Building Human Capital Strategies

*Aviation Security: TSA's Staffing Allocation Model Is Useful for Allocating Staff among Airports, but Its Assumptions Should Be Systematically Reassessed.* GAO-07-299. Washington, D.C.: February 28, 2007.

*Aviation Safety: FAA Management Practices for Technical Training Mostly Effective; Further Actions Could Enhance Results.* GAO-05-728. Washington, D.C.: September 7, 2005.

*Human Capital: Agencies Need Leadership and the Supporting Infrastructure to Take Advantage of New Flexibilities.* GAO-05-616T. Washington, D.C.: April 21, 2005.

*Federal-Aid Highways: FHWA Needs a Comprehensive Approach to Improving Project Oversight.* GAO-05-173. Washington, D.C.: January 31, 2005.

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**Fostering Improved  
Financial Management**

*FAA Budget Policies and Practices.* GAO-04-841R. Washington, D.C.: July 2, 2004.

*Federal Aircraft: Inaccurate Cost Data and Weaknesses in Fleet Management Planning Hamper Cost Effective Operations.* GAO-04-645. Washington, D.C.: June 18, 2004.

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**Improving Transportation  
Security and Emergency  
Preparedness and  
Response**

*Highway Emergency Relief: Reexamination Needed to Address Fiscal Imbalance and Long-Term Sustainability.* GAO-07-245. Washington, D.C.: February 23, 2007.

*Passenger Rail Security: Federal Strategy and Enhanced Coordination Needed to Prioritize and Guide Security Efforts.* GAO-07-459T. Washington, D.C.: February 13, 2007.

*Aviation Security: Progress Made in Systematic Planning to Guide Key Investment Decisions, but More Work Remains.* GAO-07-448T. Washington, D.C.: February 13, 2007.

*Transportation-Disadvantaged Populations: Actions Needed to Clarify Responsibilities and Increase Preparedness for Evacuations.* GAO-07-44. Washington, D.C.: December 22, 2006.

*Passenger Rail Security: Evaluating Foreign Security Practices and Risk Can Help Guide Security Efforts.* GAO-06-557T. Washington, D.C.: March 29, 2006.

*Undeclared Hazardous Materials: New DOT Efforts May Provide Additional Information on Undeclared Shipments.* GAO-06-471. Washington, D.C.: March 29, 2006.

*Passenger Rail Security: Enhanced Federal Leadership Needed to Prioritize and Guide Security Efforts.* GAO-05-851. Washington, D.C.: September 9, 2005.

*General Aviation Security: Increased Federal Oversight is Needed, but Continued Partnership with the Private Sector Is Critical to Long-Term Success.* GAO-05-144. Washington, D.C.: November 10, 2004.

*Transportation Security: Federal Action Needed to Help Address Security Challenges.* GAO-03-843. Washington, D.C.: June 30, 2003.

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*Transportation Security Research: Coordination Needed in Selecting and Implementing Infrastructure Vulnerability Assessments.* GAO-03-502. Washington, D.C.: May 1, 2003.

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## Public Affairs

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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)

April 12, 2007

### SUBJECT:

MTS: INVESTMENT REPORT

### RECOMMENDATION:

That the Board of Directors receive a report for information.

#### Budget Impact

None.

### DISCUSSION:

The attached schedule (Attachment A) is a report of MTS investments as of February 2007. The report is broken into two columns; the first column relates to investments restricted for capital support or debt service, and the second column is the unrestricted portion. As the schedule shows, the overwhelming bulk of investments are restricted primarily for debt service. These are set to serve the payments on the 1989/1990 and 1995 lease and leaseback transactions. The second column (unrestricted assets) provides the working capital for MTS operations for employee payroll and 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](mailto:tom.lynch@sdmts.com)

APRIL12-07.6.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  
2/28/2007**

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Avg. Rate of Return</u>
<b><u>Cash and Cash Equivalents</u></b>			
*** SDMTS Concentration Sweep Account	\$ -	\$ 12,169,535	N/A
<b><u>Investments - Working Capital</u></b>			
Metropolitan Transit System	-	14,978,671	4.99%
San Diego Transit Corporation	-	-	N/A
San Diego Trolley, Inc.	-	-	N/A
Total Investments - Working Capital	-	14,978,671	
<b><u>Cash - Restricted for Capital Support</u></b>			
Metropolitan Transit System	5,764,306	-	N/A
Total Cash - Restricted for Capital Support	5,764,306	-	
<b><u>Investments - Restricted for Debt Service</u></b>			
Metropolitan Transit System	150,441,241	-	4.64%
Total Investments - Restricted for Debt Service	150,441,241	-	
<b>Total Cash and Investments</b>	<b>\$ 156,205,547</b>	<b>\$ 27,148,205</b>	

\*\*\*Effective 1/31/07, all bank accounts for MTS, SDTC, and SDTI were consolidated into a concentration sweep account, therefore this amount reflects the cash and cash equivalents for all three operations.

Controller: \_\_\_\_\_

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



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FAX 619/234-3407

## 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.

OPS 960.6 (PC 50312)

April 12, 2007

### SUBJECT:

MTS: BATTERIES FOR AUTOMOBILES AND BUSES – CONTRACT AWARD

### RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to award a contract to Broding's Battery Warehouse, Inc. (MTS Doc. No. B0481.0-07, in substantially the same form as Attachment A) for procurement of automotive and bus batteries.

#### Budget Impact

A budget adjustment may be required due to the unanticipated increase in prices of batteries due to manufacturers' increased material costs for lead, which rose to a record high on February 26, 2007, and was up over 70% at the end of 2006. The increased price of lead is reflected in 8D batteries in particular.

Estimated Annual Budget Impact	
Year 1	\$87,748.74
Year 2	\$90,731.10
Year 3	\$92,980.01
TOTAL	\$271,459.85

### DISCUSSION:

An Invitation for Bids (IFB) to provide batteries for automobiles and buses was issued on January 25, 2007. A public sealed-bid opening was held on March 6, 2007. The two firms who responded were Broding's Battery Warehouse, Inc. and Powerstride Battery.

Broding's Battery Warehouse, Inc. was determined to be the lowest responsive and responsible bidder; therefore, staff is recommending that a contract be awarded to



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.

Broding's Battery Warehouse, Inc. to provide batteries for automobiles and buses. Services are recommended to commence on May 1, 2007, and the contract awarded for three years with two 1-year renewal options to be exercised solely at the discretion of MTS.



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Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Ray Thompson, 619.238.0100, Ext. 6504, [ray.thompson@sdmts.com](mailto:ray.thompson@sdmts.com)

APRIL12-07.7.BATTERY CONTRACT.BCALMES

Attachment: A. Draft Contract



Att. A, AI 7,  
4/12/07, OPS 960.6

1255 Imperial Avenue, Suite 1000  
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STANDARD PROCUREMENT AGREEMENT

DRAFT

Doc. No. B0481.0-07  
CONTRACT NUMBER

OPS 960.6 (PC 50312)  
FILE NUMBER(S)

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2007, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Broding's Battery Warehouse Address: 8188 Commercial Street

Form of Business: Corporation La Mesa, CA 91942  
(Corporation, partnership, sole proprietor, etc.)

Telephone: 619.463.9812

Authorized person to sign contracts: Gary MacIsaac  
Name Title

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

Provide bus and automobile batteries for MTS, as stipulated in MTS's Invitation for Bids, including Addendums, Responses to Approved Equals/Clarifications, and in accordance with the Standard Procurement Agreement, including the Standard Conditions Procurement, Federal Requirements, SDTC's Safety Program, and Bid Proposal. If there are any inconsistencies between the Invitation for Bids, Standard Procurement Agreement, the Standard Conditions Procurement, and/or Federal Requirements, the following order of precedence will govern the interpretation of this contract:

1. Invitation for Bids, Addendums, Responses to Approved Equals/Clarifications, SDTC Safety Program, and Bid Proposal.
2. Standard Procurement Agreement, including the Standard Conditions Procurement, and Federal Requirements.

This contract shall be effective May 1, 2007, through May 1, 2010. The total cost of this contract shall not exceed \$271,459.85.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer		Firm: _____
Approved as to form:		By: _____ Signature
By: _____ Office of General Counsel		Title: _____
AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$271,459.85	PC 50312	2007

By: \_\_\_\_\_  
Chief Financial Officer Date

APRIL12-07.7.BATTERIES.BCALMES



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## Agenda

Item No. 8

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

LEG 491 (PC 50633)

April 12, 2007

### SUBJECT:

MTS: INCREASED AUTHORIZATION FOR LEGAL SERVICES

### RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute a contract amendment to MTS Doc. No. G1073.0-07 with the law firm of Butz Dunn DeSantis Bingham, APC for legal services, in substantially the same form as attached (Attachment A) and ratify a prior amendment entered into under the CEO's authority.

#### Budget Impact

Not to exceed \$65,000 for Butz Dunn DeSantis Bingham, APC. The recommended amounts are contained within the FY 2007 budget.

### DISCUSSION:

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

Pursuant to MTS Policy No. 13 (Procurement of Services), the CEO may enter into contracts with service providers for up to \$100,000. The Board must approve all agreements in excess of \$100,000. Some attorneys have multiple cases that are or have proceeded to trial, and the total cost of their legal services will exceed the CEO's authority.



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.

Butz Dunn DeSantis Bingham, APC is currently under contract with the Agencies for \$100,000. Attorney Roger Bingham has successfully defended the Agencies in a number of tort liability cases. Invoices for current services recently received exceed current contract authority due to legal defense costs.

Staff is requesting Board approval of MTS Doc. No. G1073.0-07 with the law firm of Butz Dunn DeSantis Bingham, APC for legal services and ratification of a prior amendment entered into under the CEO's authority.



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Paul C. Jablonski  
Chief Executive Officer

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

APRIL12-07.8.LEGAL SVCS BUTZDUNN.JDOW

Attachment: A. Draft MTS Doc. No. G1073.1-07



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Att. A, AI 8, 4/12/07

DRAFT

April 12, 2007

MTS Doc. No. G1073.1-07  
LEG 491 (PC 50633)

Mr. Roger Bingham  
Butz Dunn DeSantis Bingham, APC  
101 West Broadway, Suite 1700  
San Diego, CA 92101-8289

Dear Mr. Bingham:

Subject: AMENDMENT NO. 1 TO MTS DOC. NO. G1073.0-07: LEGAL SERVICES – GENERAL  
LIABILITY

This letter will serve as Amendment No. 1 to MTS Doc. No. G1073.0-07.

#### PAYMENT

This amendment authorizes additional costs not to exceed \$65,000 for professional services. The total value of this contract, including this amendment, is \$165,000. Additional authorization is contingent upon MTS approval. All other terms of this contract shall remain unchanged.

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

Sincerely,

Accepted:

Paul C. Jablonski  
Chief Executive Officer

\_\_\_\_\_  
Roger Bingham  
Butz Dunn DeSantis Bingham, APC

APRIL12-07.8.LEGAL SVCS.AttA.JDOW

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

A-1



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## Agenda

Item No. 30

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

FIN 300 (PC 50601)

April 12, 2007

### SUBJECT:

MTS: CREDIT AGREEMENT

### RECOMMENDATION:

That the Board of Directors approve Resolution No. 07-5 (in substantially the same form as Attachment A) authorizing the Chief Executive Officer (CEO) to execute a credit agreement with Bank of America (in substantially the same form as Attachment B) for up to \$20 million.

#### Budget Impact

None at this time.

### DISCUSSION:

MTS receives various forms of funding at different times of the year. Passenger fares come in spread evenly throughout the year, with the exception of the drop in Proposition A funding for senior and disabled discounts, which occurs in January. Transportation Development Act (TDA) and TransNet funds are received monthly. State Transit Assistance (STA), Medi-Cal, and other state funds are received 3 to 18 months in arrears. Federal funding for preventative maintenance is always at least 12 to 18 months in arrears. MTS's expenses, for the most part, occur evenly throughout the year except for debt service, which occurs in December and June.

This timing difference between the receipt of funds and normal expenses, particularly the federal funds, creates a financing need to support MTS's cash flow. Historically, this has been achieved in three ways:



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.



1. Reliance on MTS Cash Reserves - With the significant amount of contingency reserves used in FY 04 and FY 05, MTS has less reserves available than in earlier years (pre-FY 2003). The June 30, 2003, contingency reserve balance was \$25 million compared to \$16 million today.
2. Utilizing Funding Received in Advance for Capital Projects - Depending upon the source, MTS can receive funds for capital projects before payments are due for those projects. These are typically state funds, as federal funds are distributed in arrears. The funds are put in very safe low-yield, short-term investments. MTS maintains a related liability on the financial statements for these amounts. As the capital project progresses, cash and related liabilities are reduced. With the transfer of capital projects to the San Diego Association of Governments (SANDAG) in 2003, MTS has little capital funding available.
3. Short-Term Borrowing - This is classic working capital financing. Historically, MTS has utilized short-term borrowing with Revenue Anticipation Notes (RANs). Done properly, RANs are at attractive tax-exempt rates. The downside of RANs are fourfold:
  - a. Issuance costs are high. MTS paid \$140,000 for the last RANs in 2004.
  - b. There is less flexibility in only having the exact amount needed for a drawdown.
  - c. The IRS is currently waging an aggressive campaign investigating agencies that have issued RANs. The IRS is trying to make sure that agencies using the tax-exempt feature are not benefiting improperly by applying it to high-yield investments and making an arbitrage gain. Requests for information from the IRS related to prior MTS RANs issued have involved hundreds of hours of MTS staff time.
  - d. Issuing RANs is similar to a bond offering with all of the legal, disclosure, and exposure issues.

Staff is requesting Board of Directors approval for a line of credit agreement with Bank of America. The rate is tied to a London Interbank Offered Rate (LIBOR) index. The agreement would price this at 62.347% of LIBOR plus 52 basis points (currently 3.85%). This rate is only slightly above (approximately 35 basis points) where RANs would be (currently 3.5%). The unused credit facility fee is at 17 basis points. The advantages of the credit line are lower fees at \$25,000, maximum flexibility in drawdowns, and a reduced probability of issues with the IRS. The savings on fees exceeds the slight differential on the rate. (Please see Attachment C for the costs of the credit line and the RANs.) Staff estimates average outstanding balances to be in the \$2 million to \$5 million range. At the \$2 million level, the credit line would cost \$94,000 less.

This proposed agreement with Bank of America is for a \$10 million facility. This level was chosen by staff based upon the highest likely level of borrowing weighed against the cost of the unused commitment fee. Staff is requesting that the Board of Directors authorize the CEO to have the option to execute an agreement up to \$20 million in the highly unlikely event that MTS needs more than \$10 million. An amendment could be

drafted to the agreement in an expedited manner avoiding any interruptions to operations caused by a short-term cash flow problem.



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Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Tom Lynch, 619.557.4538, [tom.lynch@sdmts.com](mailto:tom.lynch@sdmts.com)

APRIL12-07.30.B of A CREDIT AGMT.TLYNCH

Attachments: A. Resolution No. 07-5  
B. Credit Agreement  
C. Financing Alternatives

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Resolution No. 07-5

A Resolution Approving the Chief Executive Officer to Execute a Credit Agreement

WHEREAS, MTS staff has reached an agreement with Bank of America on a credit agreement; and

WHEREAS, the agreement has been approved by the MTS Board of Directors; NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by a vote of two-thirds or more of all of the members of the San Diego Metropolitan Transit System Board of Directors, hereinafter "Board," as follows:

That the Chief Executive Officer is authorized to execute an agreement with Bank of America for up to \$20 million.

PASSED AND ADOPTED, by the Board of Directors this \_\_\_\_\_ day of \_\_\_\_\_ 2007, by the following votes:

AYES:

NAYS:

ABSENT:

ABSTAINING:

\_\_\_\_\_  
Chairman  
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

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

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

APRIL12-07.30.AttA.RES NO. 07-5 BoA.TLYNCH  
3/20/07

CREDIT AGREEMENT

This Credit Agreement dated as of [\_\_\_\_], 2007 (the "Agreement"), is between Bank of America, N.A. (the "Bank") and the San Diego Metropolitan Transit System, a public agency created pursuant to Division 11 of the Public Utilities Code of the State of California (the "Borrower").

1. LINE OF CREDIT; AMOUNT AND TERMS

1.1 Line of Credit.

(a) During the availability period described below, the Bank will provide a line of credit (the "Line of Credit") to the Borrower. The amount of the Line of Credit ("Commitment") is up to Ten Million Dollars (\$10,000,000.00).

(b) This is a revolving Line of Credit for the purpose of financing the Borrower's cash flow needs pursuant to California Government Code Section 53850 et seq. During the availability period, Borrower may repay and reborrow principal amounts repaid; provided, that the outstanding principal amount may not exceed the amount of the Commitment at any time.

(c) Each advance of the Commitment (each an "Advance") shall be subject to all of the conditions set forth in Section 6.

1.2 Availability Period.

(a) Initial Expiration Date. The Line of Credit is available between the date of this Agreement and March 31, 2008 or such earlier date as the availability may terminate as provided in this Agreement or such later date if the Line of Credit is extended pursuant to Section 1.2(b) (the "Expiration Date").

(b) Extensions. On or before January 5, 2008 but no earlier than December 1, 2007, the Borrower may request a one-year extension of the Expiration Date. If the Expiration Date is extended to March 31, 2009 pursuant to this Section 1.2(b), Borrower may request a second one-year extension no later than January 5, 2009 but no earlier than December 1, 2008. Each such request must be in writing and must be accompanied by the following:

- (i) Monthly cash flow projections for the Borrower for the proposed extension period;
- (ii) Proposed budget covering the extension period; and
- (iii) Most recently available audited annual financial statements.

Within thirty (30) days following the Bank's receipt of the foregoing and any other documents and information requested by the Bank, the Bank shall send written notice to Borrower of its election to extend or not to extend the Expiration Date; provided, that if

the Bank fails to send such notice, the Bank shall be deemed to have denied the requested extension.

Any extension is subject to, but not limited to, the conditions that:

(A) No default or Event of Default has occurred and is continuing under this Agreement;

(B) No material adverse change has occurred with respect to the Borrower; and

(C) No litigation or governmental action that purports to materially and adversely affect the Borrower or to affect any transaction contemplated by this Agreement or the ability of Borrower to perform its obligations under this Agreement shall have occurred and be continuing.

### 1.3 Interest Rates.

(a) Unless the Borrower elects an optional interest rate as described below, the interest rate is a rate per year equal to the Bank's Prime Rate.

(b) The Prime Rate is the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate.

(c) In no event shall the interest rate exceed the maximum rate permitted by law, which is currently 12% per annum.

1.4 Optional Interest Rates. Instead of the interest rate based on the Bank's Prime Rate, the Borrower may elect the optional interest rates listed below during interest periods agreed to by the Bank and the Borrower. The optional interest rates shall be subject to the terms and conditions described later in this Agreement. Any principal amount bearing interest at an optional rate under this Agreement is referred to as a "Portion." The following optional interest rates are available:

(a) 62.347% of the LIBOR Rate plus .52% during interest periods elected by Borrower pursuant to Section 2.2 below; and

(b) the IBOR Rate plus .52% during the interest periods elected by Borrower pursuant to Section 2.3 below.

### 1.5 Repayment Terms.

(a) **Interest Payments.** The Borrower will pay interest on April 1, 2007 and quarterly thereafter; provided, that with respect to Portions, the Borrower will pay interest on the final day of the interest period for each Portion with an interest period of less than 90 days, and if the interest period applicable to any Portion is 90 days or more, the Borrower shall pay interest quarterly and on the final day of the applicable interest period. In all cases, interest shall be paid on all outstanding amounts until payment in full of any principal outstanding under the Line of Credit.

(b) **Annual Clean Up.** The Borrower shall pay down the Line of Credit and maintain an outstanding balance of \$0.00 for at least thirty (30) consecutive days during the period commencing November 1st of each year and ending January 31<sup>st</sup> of the next following year.

(c) **Maturity.** The Borrower will repay in full all principal and any unpaid interest or other charges outstanding under the Line of Credit no later than the Expiration Date then in effect ("Maturity Date"). Any interest period for an optional interest rate (as described below) shall expire no later than the Expiration Date.

(d) **Source of Payments.** All payments made on or prior to the initial Expiration Date shall be made from revenues attributable to the Borrower's 2006-2007 fiscal year. If the Expiration Date is extended pursuant to Section 1.2(b), payments on or before the Expiration Date, as extended, shall be made from revenues attributable to the Borrower's fiscal year in which the extension of the Line of Credit was granted.

Scott, what language do you propose to resolve the conflicts raised in your comments?

## 2. OPTIONAL INTEREST RATES

2.1 **Optional Rates.** Each optional interest rate is a rate per year. Interest will be paid quarterly as provided in Section 1.5. At the end of any interest period, the Borrower shall be deemed to have elected for the Portion a new interest rate based on the same optional interest rate program for a one-week period, unless the Borrower provides different instructions to Lender. No Portion will be converted to a different interest rate during the applicable interest period. No more than five (5) Portions may be outstanding at any time during the term of the Line of Credit. Upon the occurrence of an event of default under this Agreement, the Bank may terminate the availability of optional interest rates for interest periods commencing after the default occurs.

2.2 **LIBOR Rate.** The election of LIBOR Rates shall be subject to the following terms and requirements:

(a) The interest period during which the LIBOR Rate will be in effect will be two weeks, or one, two, three or six months. The first day of the interest period must be a day other than a Saturday or a Sunday on which the Bank is open for business in New York and London and dealing in offshore dollars (a "LIBOR Banking Day"). The last day of the interest period and the actual number of days during the interest period will be determined by the Bank using the practices of the London inter-bank market.

(b) Each LIBOR Rate Portion will be for an amount not less than Five Hundred Thousand Dollars (\$500,000).

(c) The "LIBOR Rate" means the interest rate determined by the following formula, rounded upward to the nearest 1/100 of one percent. (All amounts in the calculation will be determined by the Bank as of the first day of the interest period.)

$$\text{LIBOR Rate} = \frac{\text{London Inter-Bank Offered Rate}}{(1.00 - \text{Reserve Percentage})}$$

Where,

(i) "London Inter-Bank Offered Rate" means the average per annum interest rate at which U.S. dollar deposits would be offered for the applicable interest period by major banks in the London inter-bank market, as shown on the Telerate Page 3750 (or any successor page) at approximately 11:00 a.m. London time two (2) London Banking Days before the commencement of the interest period. If such rate does not appear on the Telerate Page 3750 (or any successor page), the rate for that interest period will be determined by such alternate method as reasonably selected by Bank. A "London Banking Day" is a day on which the Bank's London Banking Center is open for business and dealing in offshore dollars.

(ii) "Reserve Percentage" means the total of the maximum reserve percentages for determining the reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency Liabilities, as defined in Federal Reserve Board Regulation D, rounded upward to the nearest 1/100 of one percent. The percentage will be expressed as a decimal, and will include, but not be limited to, marginal, emergency, supplemental, special, and other reserve percentages.

(d) The Borrower shall irrevocably request a LIBOR Rate Portion no later than 12:00 noon Los Angeles time on the LIBOR Banking Day preceding the day on which the London Inter-Bank Offered Rate will be set, as specified above. For example, if there are no intervening holidays or weekend days in any of the relevant locations, the request must be made at least three days before the LIBOR Rate takes effect.

(e) Each prepayment of a LIBOR Rate Portion, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid and a prepayment fee as described below. A "prepayment" is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Agreement.

(f) The prepayment fee shall be equal to the amount (if any) by which:

(i) the additional interest which would have been payable during the interest period on the amount prepaid had it not been prepaid, exceeds

(ii) The interest which would have been recoverable by the Bank by placing the amount prepaid on deposit in the domestic certificate of deposit market, the eurodollar deposit market, or other appropriate money market selected by the Bank and communicated to the Borrower, for a period starting on the date on which it was prepaid and ending on the last day of the interest period for such Portion (or the scheduled payment date for the amount prepaid, if

earlier).

(iii) In no event shall the prepayment fee exceed 3% of the LIBOR Rate Portion being prepaid.

(g) The Bank will have no obligation to accept an election for a LIBOR Rate Portion if any of the following described events has occurred and is continuing:

(i) Dollar deposits in the principal amount, and for periods equal to the interest period, of a LIBOR Rate Portion are not available in the London inter-bank market; or

(ii) the LIBOR Rate does not accurately reflect the cost of a LIBOR Rate Portion.

(iii) In no event shall the prepayment fee exceed 3% of the LIBOR Rate Portion being prepaid.

2.3 IBOR Rate. The election of IBOR Rates shall be subject to the following terms and requirements:

(a) The interest period during which the IBOR Rate will be in effect will be no shorter than one day and no longer than six months. The last day of the interest period will be determined by the Bank using the practices of the offshore dollar inter-bank market.

(b) Each IBOR Rate Portion will be for an amount not less than Five Hundred Thousand Dollars (\$500,000).

(c) The "IBOR Rate" means the interest rate determined by the following formula, rounded upward to the nearest 1/100 of one percent. (All amounts in the calculation will be determined by the Bank as of the first day of the interest period.)

$$\text{IBOR Rate} = \frac{\text{IBOR Base Rate}}{(1.00 - \text{Reserve Percentage})}$$

Where,

(i) "IBOR Base Rate" means the interest rate at which the Bank's Grand Cayman Banking Center, Grand Cayman, British West Indies, would offer U.S. dollar deposits for the applicable interest period to other major banks in the offshore dollar inter-bank market.

(ii) "Reserve Percentage" means the total of the maximum reserve percentages for determining the reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency Liabilities, as defined in Federal Reserve Board Regulation D, rounded upward to the nearest 1/100 of one percent. The percentage will be expressed as a decimal, and will include, but not be limited to, marginal, emergency, supplemental, special, and other reserve percentages.



(d) Each prepayment of an IBOR Rate Portion, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid, and a prepayment fee as described below. A "prepayment" is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Agreement.

(e) The prepayment fee shall be equal to the amount (if any) by which:

(i) the additional interest which would have been payable during the interest period on the amount prepaid had it not been prepaid, exceeds

(ii) The interest which would have been recoverable by the Bank by placing the amount prepaid on deposit in the domestic certificate of deposit market, the eurodollar deposit market, or other appropriate money market selected by the Bank and communicated to the Borrower for a period starting on the date on which it was prepaid and ending on the last day of the interest period for such Portion (or the scheduled payment date for the amount prepaid, if earlier).

(f) The Bank will have no obligation to accept an election for an IBOR Rate Portion if any of the following described events has occurred and is continuing:

(i) Dollar deposits in the principal amount, and for periods equal to the interest period, of an IBOR Rate Portion are not available in the offshore dollar inter-bank market; or

(ii) the IBOR Rate does not accurately reflect the cost of an IBOR Rate Portion.

### 3. FEES AND EXPENSES

#### 3.1 Fees.

(a) Unused Commitment Fee. During the availability period described in Section 1.2, the Borrower shall pay an annual fee on any difference between the amount of the Commitment and the aggregate amount of credit it actually uses, determined by the average of the daily amount of credit outstanding during the specified period, calculated at .17% per annum. Such fee shall be payable quarterly in arrears commencing on April 1, 2007 with the final payment due on the Expiration Date, as such date may be extended.

(b) Waiver Fee. If the Bank, at its discretion, agrees to waive or amend any terms of this Agreement, the Borrower will, at the Bank's option, pay the Bank a fee for each waiver or amendment in an amount advised by the Bank at the time the Borrower requests the waiver or amendment. Nothing in this paragraph shall imply that the Bank is obligated to agree to any waiver or amendment requested by the Borrower. The Bank may impose additional requirements as a condition to any waiver or amendment.

(c) Kathy – because MTS is a government agency we cannot pay "late fees" it's considered a gift of public funds. Can we restructure this payment to be a recalculation of the interest fee if MTS does not make the payment on time instead?

3.2 Ongoing Expenses. The Borrower agrees to reimburse the Bank for all reasonable out-of-pocket costs, charges and expenses (including reasonable attorneys' fees) arising in connection with the administration of this Agreement and enforcement of, preservation of rights in connection with a workout, restructuring or default under the Agreement or any amendment or waiver with respect to this Agreement, not to exceed \$xxxxxxx.

3.3 Reimbursement of Closing Costs. The Borrower agrees to reimburse the Bank for any expenses it incurs in the preparation and closing of this Agreement and any agreement or instrument required by this Agreement, not to exceed \$xxxxxxxxx. Expenses include, but are not limited to, reasonable attorneys' fees, including any allocated costs of the Bank's in-house counsel, and any stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any other documents or instruments required by this Agreement.

#### 4. SECURITY FOR THE LINE OF CREDIT

4.1 Pledge of Revenues. The Borrower hereby pledges and grants a security interest in and to all of the Pledged Revenues and all proceeds thereof. This pledge immediately attaches to the Pledged Revenues and is effective, binding, and enforceable against the Borrower, its successors, creditors, and all others asserting rights therein, to the extent set forth, and in accordance with, the terms and conditions of this Agreement, irrespective of whether those persons have notice of the pledge and without the need for any physical delivery, recordation, filing or further act.

The Borrower shall allocate Pledged Revenues FIRST to the payment of the principal and interest with respect to the Line of Credit and, only after all principal and interest then due with respect to the Line of Credit have been paid, then to the payment of administrative expenses and other obligations of the Borrower. The pledge and allocation of Pledged Revenues hereunder is for the exclusive benefit of the Bank and shall be irrevocable until all principal, interest and other sums owed by the Borrower to the Bank have been paid in full.

4.2 Pledged Revenues. For purposes of this Agreement, the terms "Pledged Revenues" means (a) all Federal Transit Administration Section 5307 formula grant funds ("FTA Funds"), (b) all Transit Development Act funds, (c) all TransNet Sales Tax revenues and (d) all Unrestricted Moneys (as defined below) of the Borrower, in each case to the extent attributable to the Borrower's 2006-2007 fiscal year, and if the Line of Credit is extended, then such pledge shall extend to the Pledged Revenues attributable to Borrower's fiscal year in which the extension of the Line of Credit was granted or when the draw was made.

4.3 Unrestricted Moneys. For purposes of this Agreement, the term "Unrestricted Moneys" means taxes, income, revenue, cash receipts and other moneys which are received by or accrue to the Borrower for deposit to the General Fund and Special Revenue Fund of Borrower during or allocable to the Borrower's 2006-2007 fiscal year and which may lawfully be pledged for the payment of the Line of Credit and interest thereon and which are not otherwise so pledged, including, but not limited to, the FTA Funds and the other federal and State governmental subsidies that are available to the Borrower as long as such funds are not restricted in application. If the Line of Credit is extended, then the term "Unrestricted Moneys, and the pledge thereof, shall extend to the Unrestricted Moneys attributable to Borrower's fiscal year in which the extension of the Line of Credit was granted or when the draw was made.

5. DISBURSEMENTS, PAYMENTS AND COSTS

5.1 Disbursements and Payments.

(a) Each payment by the Borrower will be made at the Bank's banking center (or other location) selected by the Bank from time to time; and will be made in immediately available funds, or such other type of funds selected by the Bank.

(b) Each request for an Advance shall be made in writing in the form of the requisition attached hereto as Exhibit "A" (an "Advance Request") signed by an individual identified in a certificate delivered to the Bank specifying the authorized representatives of the Borrower (each an "Authorized Representative"). Each disbursement by the Bank and each payment by the Borrower will be evidenced by records kept by the Bank. In addition, the Bank may, if required by any statute or regulation applicable to all national banks or a class of all national banks, require the Borrower to sign one or more promissory notes with terms consistent with this Agreement.

5.2 Telephone and Telefax Authorization.

(a) The Bank may honor telephone or telefax instructions for advances or repayments or for the designation of Prime Rate, LIBOR-based or IBOR-based interests given, or purported to be given, by an Authorized Representative or any other individual designated by an Authorized Representative. Each request shall be confirmed in writing and shall confirm the information for the Advance required by Section 5.2(b).

(b) Any request for an advance, including the initial advance under this Agreement, received by Noon on a business day will be funded by the Bank by 11:00 a.m. on (i) the third Business Day thereafter if such advance will bear interest at the LIBOR Rate or (ii) on the next succeeding Business Day if such advance will bear interest at the Prime Rate or IBOR Rate. Each Advance Request and each instruction regarding the rollover of LIBOR Rate Portions or IBOR Rate Portions must include the Borrower's election of the interest rate to apply to such Advance, LIBOR Rate Portion or IBOR Rate Portion, but if no election is made, the Advance, LIBOR Rate Portion or IBOR Rate Portion will bear interest at a rate based on the Prime Rate until another interest rate election is made by the Borrower. If the Borrower selects an interest rate based on the LIBOR Rate, the request for advance must be made no later than the date the Borrower must make its interest rate election under Section 2.2(d).

(c) Advances will be deposited in the account designated to the Bank by the Borrower in writing.

(d) The Borrower will indemnify and hold the Bank harmless from all liability, loss, and costs in connection with any act resulting from telephone or telefax instructions the Bank reasonably believes are made by any individual authorized by the Borrower to give such instructions. This paragraph will survive this Agreement's termination, and will benefit the Bank and its officers, employees, and agents.

5.3 Banking Days. Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to

close, or are in fact closed, in the state where the Bank's lending office is located, and, if such day relates to amounts bearing interest at an offshore rate (if any), means any such day on which dealings in dollar deposits are conducted among banks in the offshore dollar interbank market. All payments and disbursements which would be due on a day which is not a banking day will be due on the next banking day. All payments received on a day which is not a banking day will be applied to the credit on the next banking day.

#### 5.4 Taxes.

(a) Taxes. Any and all payment to the Bank by the Borrower hereunder shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5.4), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Borrower shall make any payment under this Section 5.4 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the Borrower an amount equal to the amount by which such other taxes are actually reduced; provided that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Borrower with respect to such Taxes. (what is the intent of this sentence?) In addition, the Borrower agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or the State of New York from any payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as "Other Taxes"). The Bank shall provide to the Borrower within a reasonable time a copy of any written notification it receives with respect to Other Taxes owing by the Borrower to the Bank hereunder provided that the Bank's failure to send such notice shall not relieve the Borrower of its obligation to pay such amounts hereunder.

(b) Indemnity. The Borrower shall, to the fullest extent permitted by law, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 5.4 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; provided that the Borrower shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the

Borrower of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; provided that the Bank's failure to notify the Borrower promptly of such assertion shall not relieve the Borrower of its obligation under this Section 5.4. Payments by the Borrower pursuant to this indemnification shall be made within thirty (30) days from the date the Bank makes written demand thereof. The Bank agrees to repay to the Borrower any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the Borrower pursuant to this Section 5.4 received by the Bank for Taxes or Other Taxes that were paid by the Borrower pursuant to this Section 5.4 and to contest, with the cooperation and at the expense of the Borrower, any such Taxes or Other Taxes which the Bank or the Borrower reasonably believes not to have been properly assessed.

(c) Notice. Within thirty (30) days after the date of any payment of Taxes by the Borrower, the Borrower shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

(d) Survival of Obligations. The obligations of the Borrower under this Section 5.4 shall survive the termination of this Agreement.

#### 5.5 Additional Costs

(a) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by any court, central bank or other administrative or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (A) change the basis of taxation of payments to the Bank of any amounts payable hereunder (except for taxes on the overall net income of the Bank), (B) impose, modify or deem applicable any reserve, special deposit or similar requirement against making or maintaining its obligations under this Agreement or assets held by, or deposit with or for the account of, the Bank or (C) impose on the Bank any other condition regarding this Agreement, and the result of any event referred to in clause (A), (B) or (C) above shall be to increase the cost to the Bank of making or maintaining its obligations hereunder, or to reduce the amount of any sum received or receivable by the Bank hereunder, then, the Borrower shall pay to the Bank, at such time and in such amount as is set forth in paragraph (c) of this Section 5.5, such additional amount or amounts as will compensate the Bank for such increased costs or reductions in amount.

(b) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof, by, any court, central bank or other administrative or governmental authority, or compliance by the Bank with any directive of or compliance by the Bank with any directive of or guidance from any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank allocates capital resources to its commitments, including its obligations under lines of credit) that either (A) affects or would affect the amount of capital to be

maintained by the Bank or (B) reduces or would reduce the rate of return on the Bank's capital to a level below that which the Bank could have achieved but for such circumstances (taking into consideration the Bank's policies with respect to capital adequacy) then, the Borrower shall pay to the Bank, at such time and in such amount as is set forth in paragraph (c) of this Section, such additional amount or amounts as will compensate the Bank for such cost of maintaining such increased capital or such reduction the rate of return on the Bank's capital.

(c) All payments of amounts referred to in paragraphs (a) and (b) of this Section shall be due thirty (30) days following the Borrower's receipt of notice thereof and shall be payable, in full, on the next succeeding quarterly payment date that the fee described in Section 3.1(a) is due and payable. Interest on the sums due as described in paragraphs (a) and (b) of this Section, and in the preceding sentence, shall begin to accrue from the date when the payments were first due and shall otherwise be payable in accordance with Section 1.5 hereof; provided, that from and after the required date of payment, interest shall begin to accrue on such obligations at a rate per annum equal to the Default Rate until such delinquent payments have been paid in full. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in paragraphs (a) or (b) of this Section setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the Borrower and shall be conclusive (absent manifest error) as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Bank may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate. Notwithstanding anything contained in paragraphs (a) or (b) of this Section, above, the Borrower shall have no liability to the Bank for any increased costs, increased capital or reduction in return to the extent incurred by the Bank more than sixty (60) days prior to the date the above-described certificate is given to the Borrower.

5.6 Interest Calculation. Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This calculation results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid.

5.7 Default Rate.

(a) Borrower Defaults. Upon the occurrence of any default under this Agreement, principal amounts outstanding under this Agreement will at the option of the Bank bear interest at a rate which is 2.0 percentage point(s) higher than the rate of interest otherwise provided under this Agreement, not to exceed 12% or the maximum rate permitted by law.

(b) The Bank's election to apply the default rates as provided in this Section 5.7 will not constitute a waiver of any default.

6. CONDITIONS

The Bank must receive the following items, in form and content acceptable to the Bank, before it is required to extend any credit to the Borrower under this Agreement:

6.1 Authorizations. Evidence that the execution, delivery and performance by the Borrower of this Agreement and any instrument or agreement required under this Agreement has been duly authorized by a resolution of the Board of Directors of the Borrower, certified as of the execution date by the Clerk of the Board.

6.2 Documents. Fully executed and, where required, acknowledged copies of this Agreement, the tax certificate and any other documents and instruments reasonably required by the Bank.

6.3 Legal Opinions. A written opinion from bond counsel, Kutak Rock, LLP, covering such matters as the Bank may require, including without limitation an opinion that: the Borrower is authorized under California law to enter into this Agreement; the transactions contemplated by this Agreement have been properly authorized; this Agreement and the other agreements entered into by Borrower in connection with this Agreement are legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms; the pledge of Pledged Revenues constitutes a valid pledge under California law; and interest on the Line of Credit is tax-exempt under Federal and State law. The form and substance of the opinion must be acceptable to the Bank and its counsel.

6.4 Review of Financial Statements. Borrower's audited financial statements for the past three fiscal years and pro forma financial statement through the Expiration Date.

6.5 Payment of Fees. Payment of all accrued and unpaid expenses incurred by the Bank as required by Section 3.3 entitled "Reimbursement of Closing Costs."

6.6

Authority; Incumbency; No Default. A certificate of an authorized representative of the Borrower dated the execution date certifying as to the authority, incumbency and specimen signatures of the representative of the Borrower authorized to sign this Agreement and any other documents to be delivered by it hereunder and who will be authorized to represent the Borrower in connection with this Agreement, upon which the Bank may rely until it receives a new such certificate and certifying that as of the Closing Date no default or Event of Default has occurred under this Agreement and no material adverse change has occurred with respect to the Borrower.

6.7 Governmental Approvals. Except for state "blue sky" laws, true and correct copies of any and all governmental approvals necessary for the Borrower to enter into this Agreement and such approvals necessary at the Closing Date for the transactions contemplated thereby and hereby, or if no governmental approvals are required, a certificate of an Authorized Representative of the Borrower to the effect that no such approvals are necessary.

## 7. REPRESENTATIONS AND WARRANTIES

When the Borrower signs this Agreement, and until the Bank is repaid in full, the Borrower makes the following representations and warranties. Each request for an Advance constitutes a renewal of these representations and warranties as of the date of the request:

7.1 Legal Status. Borrower is a public agency created pursuant to Division 11 of the Public Utilities Code of the State of California (the "Law") and has all requisite power and authority to carry on its business as now conducted.

7.2 Authorization. This Agreement, and any instrument or agreement required hereunder, are within the Borrower's powers, have been duly authorized, and do not conflict with any of its organizational papers.

7.3 Business Operations. The Borrower has all powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

7.4 Approvals. No further approval, authorization, consent, order, notice to or filing or registration with any governmental authority or any public board or body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction which were not required on or prior to the Closing Date) is legally required with respect to the Borrower's obligations under this Agreement.

7.5 Disclosure of Information. The statements and information provided to the Bank in connection with this Agreement or contained in any disclosure issued in connection with the issuance of any bonds or other obligations issued by the Borrower which relate to the Borrower are true, correct and complete in all material respects and as to such statements, do not omit any statement or information necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect.

7.6 Enforceable Agreement. Subject to fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against redevelopment agencies in the State of California, this Agreement is a legal, valid and binding agreement of the Borrower, enforceable against the Borrower in accordance with its terms, and any instrument or agreement required hereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable.

7.7 No Conflicts. This Agreement does not conflict with any law, agreement, or obligation by which the Borrower is bound.

7.8 Financial Information. All financial and other information that has been or will be supplied to the Bank is sufficiently complete to give the Bank accurate knowledge of the Borrower's financial condition, including all material contingent liabilities. Since the date of the most recent financial statement provided to the Bank, there has been no material adverse change in the business condition (financial or otherwise), operations, properties or prospects of the Borrower.

7.9 Lawsuits; Initiatives. There is no lawsuit, tax claim or other dispute pending or threatened against the Borrower which has not been previously disclosed in our Comprehensive Annual Financial Report (CAFR) which, if lost, would impair the Borrower's financial condition or



ability to repay the Line of Credit or the ability of Borrower to pledge the Pledged Revenues to the Bank, except as have been disclosed in writing to the Bank. There is no initiative or proposition pending or threatened that would impair Borrower's ability to enter into this Agreement or to pledge the Pledged Revenues to the Bank.

7.10 Other Obligations. The Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, except as have been disclosed in writing to the Bank.

7.11 No Event of Default. There is no event which is, or with notice or lapse of time or both would be, a default under this Agreement.

7.12 Location of Borrower. The Borrower's place of business (or, if the Borrower has more than one place of business, its chief executive office) is located at the address listed under the Borrower's signature on this Agreement.

7.13 Changes in Law. To the best of the Borrower's knowledge, there is not pending any change of law, which, if enacted or adopted, could have a material adverse effect on the Borrower's ability to perform its obligations under this Agreement.

7.14 Immunity from Jurisdiction. Borrower is not entitled under California law to claim immunity on sovereign or other similar grounds with respect to itself in relation to this Agreement or its revenues or assets (irrespective of their use or intended use) in relation to this Agreement from (i) suit, (ii) jurisdiction of any court, or (iii) relief by way of injunction, order for specific performance or order for recovery of property; provided, that no representation is made with respect to the waiver of immunity under the XI Amendment of the United States Constitution; and provided further, that any claim made hereunder shall be made in accordance with and pursuant to the procedures provided by the laws of the State of California.

## 8. COVENANTS

The Borrower agrees, so long as credit is available under this Agreement and until the Bank is repaid in full:

8.1 Use of Proceeds. To use the proceeds of the Line of Credit only for the purposes permitted by Section 1.1.

### 8.2 Financial Information.

(a) Financial Statements. To provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time:

(i) Within 210 days after the Borrower's fiscal year end, commencing with the fiscal year ended June 30, 2007, the Borrower's annual financial statements, certified and dated by an authorized financial officer of the Borrower. These financial statements must be audited (with an unqualified opinion) by a Certified Public Accountant reasonably acceptable to the Bank.

(ii) Within 45 days after the end of each fiscal quarter, commencing with the quarter ended March 31, 2007, the Borrower's quarterly financial statements, certified and dated by an authorized financial officer of the Borrower.

(iii) The Borrower shall, promptly upon its approval and within 45 days of the final adoption of the annual budget of the Borrower, deliver to the Bank a copy of such budget and promptly after the adoption thereof, copies of any and all amendments and supplements to the budget.

(iv) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the Borrower to or from the Borrower's Certified Public Accountant.

(v) Within the period provided in (i) above, a compliance certificate of the Borrower signed by an authorized financial officer of the Borrower setting forth whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under this Agreement and, if any such default exists, specifying the nature thereof and the action the Borrower is taking and proposes to take with respect thereto.

(vi) The Borrower shall provide such additional information as shall be reasonably requested by the Bank within 30 days after the Bank's request for such information.

(b) Official Statements. Any official statement or similar disclosure document circulated by the Borrower in connection with the offering of any bonds, notes or other evidence of indebtedness of, or issued on behalf of, the Borrower.

(c) Notice of Litigation. The Borrower shall give prompt notice in writing to the Bank of any litigation, administrative proceeding or business development which may materially adversely affect its business, properties or affairs or the ability of the Borrower to perform its obligations as set forth hereunder or under this Agreement, and shall in all events give prompt notice of any such litigation or proceeding involving a claim in excess of \$1,000,000.

(d) Other Information. Such other information regarding the business, affairs and condition of the Borrower as the Bank may from time to time reasonably request.

8.3 Books and Records. To maintain adequate books and records.

8.4 Inspection Rights. The Borrower shall, at any reasonable time and from time to time, upon reasonable notice, permit the Bank or any agents or representatives thereof, at the Bank's expense, to examine and make copies of the records and books of account related to the transactions contemplated by this Agreement, to visit its properties and to discuss its affairs, finances and accounts with any of its officers and independent accountants. The Borrower will not unreasonably withhold its authorization for its independent accountants to discuss its affairs, finances and accounts with the Bank.

8.5 Compliance with Laws. To comply with the laws, regulations and orders of any government body with authority over the Borrower's business or activities.

8.6 Maintenance of Approvals, Etc. The Borrower shall at all times maintain in effect, renew and comply with all the terms and conditions of all approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Agreement.

8.7 Cooperation. To take any action reasonably requested by the Bank to carry out the intent of this Agreement.

8.8 Payment of Obligations. The Borrower will pay and discharge all of its obligations and liabilities when due.

8.9 Additional Debt; Against Encumbrances. Without the prior written consent of the Bank, the Borrower shall not incur any additional direct or contingent liabilities or major obligations (other than the obligations of the Borrower to the Bank under this Agreement). The Borrower covenants and agrees that it will not issue any other obligations payable, as to either principal or interest, from the Pledged Revenue, including without limitation, any revenue anticipation notes that would be secured by the Pledged Revenues; provided, however, that nothing in this Agreement shall prevent the Borrower from issuing and selling pursuant to law refunding bonds or other refunding obligations payable from and having a lien on a parity basis with the Line of Credit on the Pledged Revenues if such refunding bonds or other refunding obligations are issued and are sufficient for the purpose of refunding the entire outstanding balance of the Line of Credit and the proceeds of such refunding bonds or other refunding obligations are used to pay the entire outstanding balance of the Line of Credit. (Scott – what changes do you recommend to this section to address the repayment issue you raised?)

8.10 Payments of Taxes and Other Charges. The Borrower will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Borrower or the properties then owned by the Borrower, or upon the revenues therefrom, when the same shall become due. Nothing contained in this Agreement shall require the Borrower to make any such payment so long as the Borrower in good faith shall contest the validity of said taxes, assessments or charges.

## 9. DEFAULT

If any of the following events occurs, the Bank may do one or more of the following: declare the Borrower in default, stop making any Advances available to the Borrower, and require the Borrower to repay its entire debt immediately and without prior notice. If an event of default occurs under the paragraph entitled "Bankruptcy," below, with respect to the Borrower, then the entire debt outstanding under this Agreement will automatically be due immediately.

9.1 Failure to Pay. Any principal or interest owed to the Bank under this Agreement shall not be paid when due and shall remain unpaid for five (5) business days after written notice of such failure has been given to the Borrower, or the Borrower fails to pay any amount owing under Section 3.1 within fifteen (15) days after the date when due.

9.2 False Information. Any representation or warranty made by or on behalf of the Borrower under this Agreement or in any certificate or statement delivered hereunder shall be incorrect or untrue in any material respect when made or deemed to have been made.

9.3 Bankruptcy. The Borrower files a bankruptcy petition, a bankruptcy petition is filed against the Borrower or the Borrower makes a general assignment for the benefit of creditors. The default will be deemed cured if any bankruptcy petition filed against the Borrower is dismissed within a period of 60 days after the filing; provided, however, that the Bank will not be obligated to extend any additional credit to the Borrower during that period; and provided further that such cure opportunity will be terminated upon the entry of an order for relief in any bankruptcy case arising from such a petition.

9.4 Receivers. A receiver or similar official is appointed for a substantial portion of the Borrower's business, or the business is terminated.

9.5 Judgments. Any judgments or arbitration awards are entered against the Borrower, or the Borrower enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount of One Million Dollars (\$1,000,000) or more and any such judgment or award shall not have been satisfied, stayed or bonded pending appeal within a period of sixty (60) days from the date it was first so rendered.

9.6 Material Adverse Change. A material adverse change occurs in Borrower's financial condition, properties or prospects, or ability to repay the Line of Credit.

9.7 Cross-default. Any default occurs under any agreement in connection with any other credit which Borrower has obtained from Bank, or which an affiliate of Borrower has obtained from Bank, or which Borrower or an affiliate of Borrower has obtained from anyone else, or which Borrower has guaranteed.

9.8 Lien Priority. The Bank fails to have an enforceable first lien (except for any prior liens to which the Bank has consented in writing) on or security interest in any property given as security for this Agreement (or any guaranty).

9.9 Other Breach under Agreement. The Borrower fails to meet the conditions of, or fails to perform any obligation under, any term of this Agreement not specifically referred to in this Article. This includes any failure or anticipated failure by the Borrower to comply with any financial covenants set forth in this Agreement, whether such failure is evidenced by financial statements delivered to the Bank or is otherwise known to the Borrower. If, in the Bank's opinion, the breach is capable of being remedied, the breach will not be considered an event of default under this Agreement for a period of thirty (30) days after the date on which the Bank gives written notice of the breach to the Borrower; provided, however, that the Bank will not be obligated to extend any additional credit to the Borrower during that period.

## 10. ENFORCING THIS AGREEMENT; MISCELLANEOUS

10.1 GAAP. Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied.

10.2 Successors and Assigns. This Agreement is binding on the Borrower's and the Bank's successors and assignees. The Borrower agrees that it may not assign this Agreement without the Bank's prior consent. The Bank may sell participations in or assign this loan, and may exchange financial information about the Borrower with actual or potential participants or assignees. If participation is sold or the loan is assigned, the purchaser will have the right of set-off against the Borrower. (What is the intent of the "set-off" provision?)

### 10.3 Arbitration and Waiver of Jury Trial.

(a) Any claim or controversy ("Claim") between the parties, whether arising in contract or tort or by statute including, but not limited to, Claims resulting from or relating to this Agreement shall, upon the request of either party, be resolved by binding arbitration in accordance with the California Code of Civil Procedure (CCP Section 1280 et seq.), including the provisions for discovery set forth in California Code of Civil Procedure Section 1283.05. Arbitration proceedings will be conducted in accordance with the applicable rules for the arbitration of disputes by Judicial Arbitration and Mediation Services (JAMS) or any successor thereof. The arbitration shall be conducted in California. The arbitration hearing shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement, and any award, which may include legal fees, shall be issued (with a brief written statement of the reasons therefor) within thirty (30) days of the close of hearing. Any dispute concerning whether a claim is arbitrable or barred by the statute of limitations shall be determined by the arbitrator. This arbitration provision is not intended to limit the right of any party to exercise self-help remedies, to seek and obtain interim or provisional relief of any kind or to initiate judicial or non-judicial foreclosure against any real or personal property collateral. By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, if for any reason a Claim is not arbitrated, the parties irrevocably and voluntarily agree to waive any right to a trial by jury in respect of such Claim.

(b) The procedure described above will not apply if the Claim, at the time of the proposed submission to arbitration, arises from or relates to an obligation to the Bank secured by real property. In this case, both the Borrower and the Bank must consent to submission of the Claim to arbitration. If both parties do not consent to arbitration, the Claim will be resolved as follows: The Borrower and the Bank will designate a referee (or a panel of referees) selected under the auspices of JAMS in the same manner as arbitrators are selected in JAMS administered proceedings. The designated referee(s) will be appointed by a court as provided in California Code of Civil Procedure Section 638 and the following related sections. The referee (or the presiding referee of the panel) will be an active attorney or a retired judge. The award that results from the decision of the referee(s) will be entered as a judgment in the court that appointed the referee, in accordance with the provisions of California Code of Civil Procedure Sections 644 and 645.

### 10.4 Arbitration and Waiver of Jury Trial.

(a) This paragraph concerns the resolution of any controversies or claims between the Borrower and the Bank, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this Agreement (including any renewals, extensions or modifications); or (ii) any document related to this Agreement (collectively a "Claim").

(b) At the request of the Borrower or the Bank, any Claim shall be resolved by binding arbitration in accordance with the California Code of Civil Procedure (CCP Section 1280 et seq.) (the "Code").

(c) Arbitration proceedings will be determined in accordance with the Code, the applicable rules and procedures for the arbitration of disputes of JAMS or any successor thereof ("JAMS"), and the terms of this paragraph. In the event of any inconsistency, the terms of this paragraph shall control.

(d) The arbitration shall be administered by JAMS and conducted in any U.S. state where real or tangible personal property collateral for this credit is located or if there is no such collateral, in California. All Claims shall be determined by one arbitrator; however, if Claims exceed Five Million Dollars (\$5,000,000), upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and enforced.

(e) The arbitrator(s) will have the authority to decide whether any Claim is barred by the statute of limitations and, if so, to dismiss the arbitration on that basis. For purposes of the application of the statute of limitations, the service on JAMS under applicable JAMS rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s). The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this Agreement.

(f) This paragraph does not limit the right of the Borrower or the Bank to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or nonjudicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.

(g) The procedure described above will not apply if the Claim, at the time of the proposed submission to arbitration, arises from or relates to an obligation to the Bank secured by real property. In this case, both the Borrower and the Bank must consent to submission of the Claim to arbitration. If both parties do not consent to arbitration, the Claim will be resolved as follows: The Borrower and the Bank will designate a referee (or a panel of referees) selected under the auspices of JAMS in the same manner as arbitrators are selected in JAMS administered proceedings. The designated referee(s) will be appointed by a court as provided in California Code of Civil Procedure Section 638 and the following related sections. The referee (or the presiding referee of the panel) will be an active attorney or a retired judge. The award that results from the decision of the referee(s) will be entered as a judgment in the court that appointed the referee, in accordance with the provisions of California Code of Civil Procedure Sections 644 and 645.

(h) The filing of a court action is not intended to constitute a waiver of the right of the Borrower or the Bank, including the suing party, thereafter to require submittal of the Claim to arbitration.

(i) By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, without intending in any way to limit this agreement to arbitrate, to the extent any Claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such Claim. This provision is a material inducement for the parties entering into this Agreement.

10.5 Severability; Waivers. If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it makes a loan after default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

10.6 Attorneys' Fees. In the event of a lawsuit or arbitration proceeding, the prevailing party is entitled to recover costs and reasonable attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator. In the event that any case is commenced by or against the Borrower under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute, the Bank is entitled to recover costs and reasonable attorneys' fees incurred by the Bank related to the preservation, protection, or enforcement of any rights of the Bank in such a case. As used in this paragraph, "attorneys' fees" includes the allocated costs of the Bank's in-house counsel and the allocated costs of the Borrower's in-house counsel or outside counsel.

10.7 One Agreement. This Agreement and any related security or other agreements required by this Agreement, collectively:

- (a) represent the sum of the understandings and agreements between the Bank and the Borrower concerning this credit;
- (b) replace any prior oral or written agreements between the Bank and the Borrower concerning this credit; and
- (c) are intended by the Bank and the Borrower as the final, complete and exclusive statement of the terms agreed to by them.

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail.

10.8 Indemnification. The Borrower will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any document required hereunder, (b) any credit extended or committed by the Bank to the Borrower hereunder, and (c) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit, except for any loss, liability, damage, judgment or cost arising from the sole negligence of the Bank. This indemnity includes but is not limited to attorneys' fees (including the allocated cost of in-house counsel). This indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive repayment of the Borrower's obligations to the Bank. All sums due to the Bank hereunder shall be obligations of the Borrower, due and payable immediately without demand.

10.9 Notices. Unless otherwise provided in this Agreement or in another agreement between the Bank and the Borrower, all notices required under this Agreement shall be

personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Agreement, or sent by facsimile to the fax numbers listed on the signature page, or to such other addresses as the Bank and the Borrower may specify from time to time in writing. Notices and other communications sent by (a) first class mail shall be deemed delivered on the earlier of actual receipt or on the fourth business day after deposit in the U.S. mail, postage prepaid, (b) overnight courier shall be deemed delivered on the next business day, and (c) telecopy shall be deemed delivered when transmitted.

10.10 Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

10.11 Counterparts. This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement.



This Agreement is executed as of the date stated at the top of the first page.

BANK OF AMERICA, N.A.

SAN DIEGO METROPOLITAN TRANSIT  
SYSTEM

By \_\_\_\_\_  
Typed Name: Paul F. Sutherlen  
Title: Senior Vice President

By \_\_\_\_\_  
Typed Name: \_\_Paul C. Jablonski\_\_\_\_  
Title: \_\_Chief Executive Officer\_\_\_\_\_

Address where notices to  
the Bank are to be sent:

Address where notices to  
the Borrower are to be sent:

Bank of America  
CA9-193-13-17  
333 South Hope Street, 13<sup>th</sup> Floor  
Los Angeles, California 90071  
Facsimile: 213-621-3606

Attn:  
Facsimile:

EXHIBIT "A"

ADVANCE REQUEST

Bank of America, N.A.  
Loan Servicing, California  
101 South Marengo Ave, 5<sup>th</sup> floor  
Pasadena, CA 91101

Attention: Linda Escamilla  
Telephone No.: (626) 666-8456  
Facsimile No.: (626) 666-2241  
Or Michael Towman  
Telephone No.: (626) 666-2238  
Facsimile No.: (626) 666-2241

With a copy to:  
Paul F. Sutherlen  
Telephone No.: (213) 621-7134  
Facsimile No.: (213) 621-3606/3607

Re: Credit Agreement dated as of \_\_\_\_\_, 2007 between the San Diego Metropolitan Transit System and Bank of America, N.A.

Ladies and Gentlemen:

The undersigned, San Diego Metropolitan Transit System (the "Borrower"), refers to the Credit Agreement, dated as of \_\_\_\_\_, 2007 (as amended from time to time, the "Agreement"; the terms defined therein being used herein as therein defined), between the undersigned and Bank of America, N.A. ("BofA"), and hereby gives you notice, pursuant to Sections 5.1(b) and 5.2 of the Agreement, that the undersigned hereby desires an Advance under the Credit Agreement as follows:

- (i) The date of the Advance is \_\_\_\_\_, 200\_\_ [*insert a date that is (x) no earlier the third Business Day following the date of this notice if the Advance is to bear interest initially calculated by reference to the LIBOR Rate or (y) no earlier than the next Business Day following the date of this notice if such Advance is to bear interest initially at the Prime Rate or by reference to the IBOR Rate*].
- (ii) The principal amount of the Advance is \$ \_\_\_\_\_ [*insert an amount not less than \$500,000 if the Advance is to bear interest with reference to the LIBOR Rate or IBOR Rate*].
- (iii) The Advance shall initially bear interest calculated by reference to [*insert one of the following rates: Prime Rate, LIBOR-based Rate or IBOR-based Rate*].
- (iv) If the Advance is to bear interest initially calculated by reference to the LIBOR-based Rate, the initial Interest Period is \_\_\_\_\_ months [*insert one of the following: two weeks, one month, two months, three months or six months*].

If the Advance is to bear interest initially calculated by reference to the IBOR-based Rate, the initial Interest Period is \_\_\_\_\_ *[insert a period from one day to six months]*.

The Borrower hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Advance before and after giving effect to the requested Advance:

- (A) The Commitment has not expired or been terminated and the amount of the requested Advance does not exceed the available amount of the Commitment;
- (B) All representations and warranties contained in the Agreement and the other related documents are true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date hereof or the date of the Advance, as the case may be; and
- (C) No Default or Event of Default has occurred and is continuing.

Very truly yours,

SAN DIEGO METROPOLITAN TRANSIT  
SYSTEM

By: \_\_\_\_\_  
Name: Paul C. Jablonski  
Title: Chief Executive Officer

San Diego Metropolitan Transit System  
Comparison of Financing Alternatives  
FY 2007

Average Outstanding Balance	\$0	\$1,000,000	\$2,000,000	\$5,000,000	\$10,000,000	\$20,000,000
<b><u>Credit Line</u></b>						
Current Interest rate	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%
Interest Cost	0	38,500	77,000	192,500	385,000	770,000
Fees	25,000	25,000	25,000	25,000	25,000	25,000
Unused Commitment Fee	17,000	15,300	13,600	8,500	0	0
Total Costs	<u>42,000</u>	<u>78,800</u>	<u>115,600</u>	<u>226,000</u>	<u>410,000</u>	<u>795,000</u>
<b><u>RANs</u></b>						
Current Interest rate	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Interest Cost	0	35,000	70,000	175,000	350,000	700,000
Fees	140,000	140,000	140,000	140,000	140,000	140,000
Unused Commitment Fee	0	0	0	0	0	0
Total Costs	<u>140,000</u>	<u>175,000</u>	<u>210,000</u>	<u>315,000</u>	<u>490,000</u>	<u>840,000</u>

APRIL 12-07 30.AMB.FINANCE ALTERN.TLYNCH

# Metropolitan Transit System MTS CREDIT AGREEMENT

MTS Board of Directors Meeting  
April 12, 2007



## SAN DIEGO METROPOLITAN TRANSIT SYSTEM CREDIT AGREEMENT

### Purpose of the Agreement

Establish a line of credit to finance working capital

### Need for the Agreement

Timing Difference between Expenses and Receipt of  
Subsidy Revenue particularly Federal Preventative  
Maintenance Funds



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CREDIT AGREEMENT**

**Historical Means of Financing Working Capital**

- 1 Reserves
- 2 Funding Received in Advance on Capital Projects
- 3 Short Term Borrowing



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CREDIT AGREEMENT**

**Credit Line Specifics**

Term is through March 31, 2008. Can be renewed

Interest rate

Tied to LIBOR Index

Priced at 62.347% of LIBOR plus 52 basis points  
(currently 3.85%)

Fees of \$25,000

Unused Credit Facility Fee of 17 basis points of unused  
average outstanding balance



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CREDIT AGREEMENT**

**Staff Recommendation**

Approve the resolution that the CEO is authorized to execute an agreement with Bank of America for up to \$20 million.



**Metropolitan Transit System  
MTS CREDIT AGREEMENT**

MTS Board of Directors Meeting  
April 12, 2007



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

ADM 110.7 (PC 50101)

April 12, 2007

### SUBJECT:

MTS: AUDIT REVIEW PROCESS

### RECOMMENDATION:

That the Board of Directors:

1. receive recommendations from Caporicci and Larson that were presented to the Executive Committee regarding the independent audit process, including the role of Board members in the process; and
2. authorize the Executive Committee to act as the Audit Oversight Committee.

#### Budget Impact

In the event that the Executive Committee determines that it requires the assistance of an independent consultant to carry out its responsibilities, there could be costs associated. Authorization and procurement would be subject to existing MTS Board policies.

### DISCUSSION:

On January 18, 2007, the Board of Directors received the Comprehensive Annual Financial Report (CAFR). Under the current process, the CAFR is prepared by MTS's independent auditor, Caporicci and Larson, reviewed by staff, and then presented to the Board during a regularly scheduled meeting. The Board's only action is to receive the report. During discussion of the item, several Board members asked staff to return with a report on potential improvements to the financial audit review process, including the





creation of a subcommittee of the Board provide oversight during preparation of the audit. Several options were suggested, including the creation of a new audit committee or the use of the Budget Development or Executive Committees.

On April 5, 2007, the Executive Committee discussed the recommendations provided in a report by Gary Caporicci and the attached letters (Attachments A and B). The Executive Committee also discussed the potential need for additional professional advice to assist in carrying out its responsibilities.

Following the discussion, the Executive Committee is recommending the Board authorize them to also sit as the Audit Oversight Committee. Once appointed, the Audit Oversight Committee would establish the guidelines and responsibilities of the committee based on recommendations from outside counsel and the external auditors.



Paul C. Jablonski  
Chief Executive Officer

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

APRIL6-07.31.AUDIT COMM.SCOONEY

Attachments: A. Letter dated 2/7/06 from Michael J. Aguirre, City Attorney  
B. Letter dated 3/14/07 from Kathryn H.S. Pett of Snell & Wilmer LLP

} **Board Only**



8:46

AGENDA ITEM NO.

31

## REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

1

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

### 1. INSTRUCTIONS

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Date 2007 - 04 - 12  
Name (PLEASE PRINT) Clive Richard  
Address 5153 La Dorna ST  
San Diego, CA 92115-1530  
Telephone 619.582.4036  
Organization Represented (if any) \_\_\_\_\_

Subject of your remarks: \_\_\_\_\_

Agenda Item Number on which you request to speak \_\_\_\_\_

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

☐

### 2. TESTIMONY AT NOTICED PUBLIC HEARINGS

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

### 3. DISCUSSION OF AGENDA ITEMS

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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.

ADM 124 (PC 50451)

April 12, 2007

### SUBJECT:

MTS: C STREET MASTER PLAN UPDATE

### RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to forward available information assessing the implications of the Downtown Partnership's loop proposal on trolley operations, to cooperate with stakeholders if a formal study is pursued, and to forward the following proposed positions regarding the draft C Street Master Plan to the Centre City Development Corporation (CCDC):

1. Based on current analysis, CCDC staff's Design Concept 1: Minimum Dimension and Variance Concept is preferred; and
2. In the long term, 4-car trains will eventually be necessary to serve downtown.

#### Budget Impact

None at this time.

#### Executive Committee Recommendation

The Executive Committee supports approval of the above recommendations as discussed at its meeting on April 5, 2007.

### DISCUSSION:

Over the past few months, the Executive Committee and the Board of Directors have received reports 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



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.

community. The primary issue relative to C Street is designing stations to accommodate low-floor light rail train sets (either as mixed consists or 100% low-floor train sets); however, other concerns, including accommodating four-car trains, have also been cited. Each low-floor vehicle, or S70, is approximately 10 feet longer than the existing cars in use. Therefore, a 3-car S70 train would be approximately 30 feet longer than current train lengths and longer than current platforms. Staff has continued to work with City and CCDC staffs to find a mutually beneficial solution.

The purpose of this report is to update the Board of Directors on efforts since the March 8, 2007, Board meeting. After considering CCDC's analysis of station design concepts, the need to potentially accommodate 4-car trains, and the Downtown Partnership's loop proposal, the Executive Committee forwards the following recommendations to the Board:

1. Based on current analysis, that the Board express preliminary support for Design Concept 1: Minimum Dimension and Variance Concept;
2. That the Board clarify that, in the long term, 4-car trains will eventually be necessary to serve downtown; and
3. That MTS staff be authorized to provide available information assessing the implications of the Downtown Partnership's loop proposal on trolley operations and cooperate with stakeholders if a formal study is pursued.



---

Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Brandon Farley, 619.595.4920, [Brandon.Farley@sdmts.com](mailto:Brandon.Farley@sdmts.com)

APRIL12-07.32.C ST UPDATE.BFARLEY

BY HARRY MATHIS

## MTS Shares The Vision For C Street

*Downtown Partnership's late proposal would cost the city dearly*

The Downtown Partnership has asked the Metropolitan Transit System to study a new loop trolley service to provide exclusive service to C Street Downtown. While MTS is willing to cooperate on the study, it believes the idea has many fatal flaws.

Before looking at those flaws, we need to step back and understand the genesis of this idea. At issue is the revitalization of the C Street corridor, an effort being planned by the Center City Development Corp. (CCDC). Since the beginning of this effort almost three years ago, MTS has been cooperating fully with CCDC and the C Street Advisory Committee to achieve the revitalization goal.

CCDC is looking into the future and identifying the best course of action to encourage new business, accommodate traffic, handle a projected 183 percent increase in trolley ridership and beautify the corridor. MTS fully supports the effort. We share the vision. We are working together with CCDC to realize the dream.

Consensus on several important issues have already been reached, the most important of which is the creation of a continuous eastbound automobile traffic lane on C Street, which has been identified as an essential tactic to revitalize the corridor.

To achieve the new travel lane, trolley tracks must be realigned to the north side of C Street and necessitate "island" stations between the traffic lane and trolley tracks.

Several months ago, when the advisory committee asked MTS for input on this realignment, MTS responded by noting several safety concerns for passengers and pedestrians that would require design solutions. Despite these constraints, MTS agreed to the northern realignment.

And now, very late in the process when we are close to an agreement, the Downtown Partnership has chosen to bring forth a new proposal. In addition to the travel lane, it wants MTS to run shorter trains at greater frequency. This concept will reduce passenger capacity despite growing demand for more trolley service in the corridor and a regional strategy to encourage development along transit corridors.

Today, 32 percent of ALL trolley riders get on or off at C Street. That's about 43,000 riders every day. And that number, according to the Downtown Master Environmental Impact Report, is expected to almost triple by 2030.

In looking ahead to the year 2030, demand for trolley services will require MTS to operate three- and four-car trains throughout its system. The lengths of these trains exceeds the block lengths along C Street. This issue affects only one station, which is currently located at Fifth Avenue.

As part of the master planning process, CCDC is exploring alternatives for a trolley station between Sixth and Seventh avenues to accommodate longer trains. None of these solutions propose closing a street and, contrary to allegations by the Downtown Partnership, MTS is not advocating the closure of any Downtown streets.

A workable solution is in sight. But now, at the 11th hour, Barbara Warden and the Downtown Partnership suggest that MTS change its entire operating system and spend tens of millions of taxpayer dollars to create a new trolley loop Downtown. This concept would greatly inconvenience thousands of riders who travel in and out of Downtown.

This loop would require a new separate trolley line around Downtown and limit trains to only two cars through the C Street corridor. Blue Line trolleys would be redirected around Downtown via the bayside line and Orange Line trolleys would terminate at 12th and Imperial. This would require all in-bound and outbound passengers to Downtown stations to transfer at either 12th and Imperial or American Plaza. This would be a costly and inefficient change affecting tens of thousands of trolley riders attempting to get in and out of Downtown.

- It would force 43,000 riders today to make an unnecessary transfer within a minute of their final destination. This number could climb to more than 80,000 per day by 2030.

- It would force people off three- and four-car trains and onto two-car trains. Imagine the more than 1,200 people arriving almost simultaneously at 12th and Imperial on the Orange



*Improving the C Street trolley route is sparking differing opinions among Downtown and transit officials.*

and Blue lines, deboarding and trying to get into a train that accommodates a maximum of only 400 at crush load.

- To minimize the impact, MTS would have to DOUBLE the number of trolleys on C Street, which would increase traffic delays and force MTS to incur greater operational costs. This would have a negative impact on C Street vehicular flow.

- It would cost taxpayers tens of millions of dollars to modify track and overhead wires and to reconfigure stations.

- MTS would lose riders and lose revenue, thereby increasing the taxpayer burden to operate the system.

- C Street would lose customers that support the businesses there. The top priorities of MTS are to make its system safe and more efficient and attract new riders. The loop concept will discourage ridership and be far more costly to operate.

MTS believes strongly that it plays a vital role in the economic prosperity of the Downtown area by bringing tens of thousands of people into Downtown every day.

MTS strongly supports the C Street revitalization goals, but it will be hard pressed to support any aspect of the revitalization plan that discourages the use of public transportation and that makes the system less viable for the tens of thousands of people who depend on it.

*Harry Mathis is chairman of the Metropolitan Transit System.*

8:30 Am

## SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

REQUEST TO SPEAK FORM

AGENDA ITEM NO.

32

ORDER REQUEST RECEIVED

1

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

## 1. INSTRUCTIONS

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Date April 12, 2007Name (PLEASE PRINT) Chuck LungenhausenAddress 5308 Monroe Ave. #124San Diego, CA 92115Telephone 619-546-5610Organization Represented (if any) SelfSubject of your remarks: C Street Master Plan UpdateAgenda 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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**1.**

**April 12, 2007**

**MTSB mtg.**

**AGENDA ITEM #32 (MTS: C Street Master Plan Update)**

**Chair Mathis, Board members, Staff, and other fellow citizens.  
Chuck Lurgerhausen of 5308 Monroe Ave. #124 which is in the SDSU  
neighborhood of San Diego. 92115  
Phone 619-546-5610**

**On April 02, 2007 wrote the following letter to the Union/Tribune**

**Dear Letters editor,**

**Want to wave a red flag big No !!! to what was proposed in the article  
"Partnership suggests city-center trolley loop" Fri. Mar. 30 OUR REGION  
section page B3. What was not talked about is the increased cost to the  
Metropolitan Transit System (MTS) to hire more trolley drivers and the  
increased capital to purchase more of these new low floor trolley cars  
plus the additional dollars for operations. Did not read in this article  
that this C Street redevelopment group was going to provide these funds  
to MTS.**

**As chairman of SANDAG's Transportation Access Advisory Committee  
(TAAC) this same group came before us with all sorts of ideas about what  
they would like to do with C Street. Relocating the trolley to the North side  
of C Street and providing lanes for automobile and trucks on the South  
side of C Street. At that time TAAC members felt this was a step backwards  
for pedestrians in San Diego's city center.**

**Putting more vehicles on C Street is not the answer for downtowns  
future and the goal of using less gasoline.**

**Thank you for listening and the opportunity to speak.**



8:46

AGENDA ITEM NO.

32

**REQUEST TO SPEAK FORM**

ORDER REQUEST RECEIVED

2

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Date 2007-04-12Name (PLEASE PRINT) Clive RichardAddress 5153 La Dorna St  
San Diego CA 92115-1530Telephone 619.582.4036

Organization Represented (if any) \_\_\_\_\_

Subject of your remarks: \_\_\_\_\_

Agenda Item Number on which you request to speak \_\_\_\_\_

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

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

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9:40

AGENDA ITEM NO.

32

## REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

3

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Date 4 12 07

Name (PLEASE PRINT) JANA CLARK

Address HAMILTON ST SD

Telephone 301 1689

Organization Represented (if any) SOFAR

Subject of your remarks: \_\_\_\_\_

Agenda Item Number on which you request to speak \_\_\_\_\_

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

☒

### 2. TESTIMONY AT NOTICED PUBLIC HEARINGS

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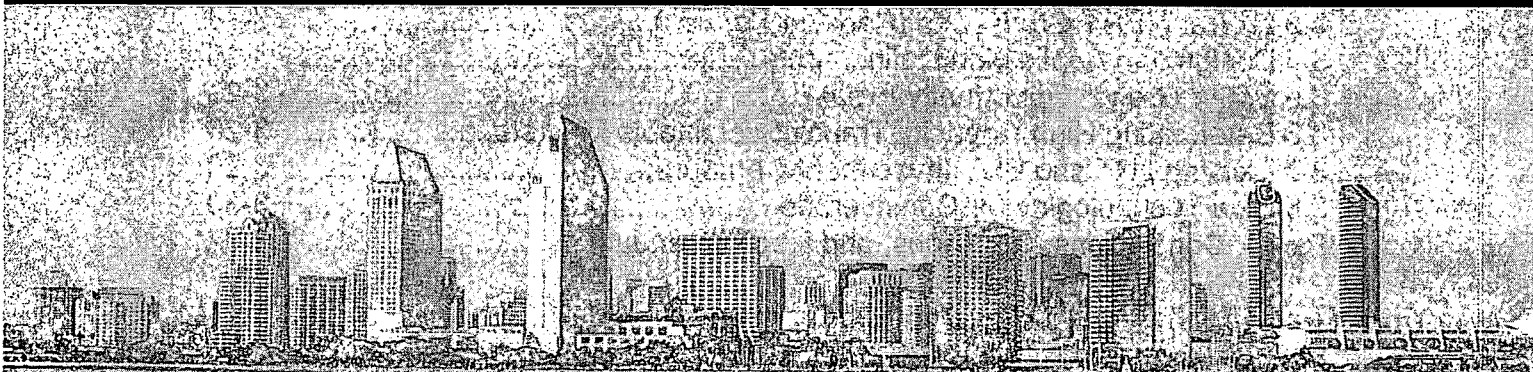
**\*\*REMEMBER: Subjects of previous Hearings or agenda items may not again be addressed under General Public Comments.\*\***



# Independent Transit Planning Review Services

## December 2006 Final Report

Prepared For



in association with

LTK Engineering  
Herbert Levinson

December 2006

<b>Executive Summary .....</b>	<b>ES-1</b>
--------------------------------	-------------

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## **EXECUTIVE SUMMARY**

### **Introduction**

In July 2004, the SANDAG Board of Directors adopted the *Regional Comprehensive Plan (RCP)*, which provides a framework for integration of land use and transportation. The RCP establishes an incentive program to encourage *Smart Growth* projects coordinated with regional transportation infrastructure identified in the *Regional Transportation Plan (RTP)*.

In November 2004, 67% of San Diego County voters approved a 40-year extension of *TransNet*, the region-wide half-cent sales tax dedicated to transportation. The *TransNet* extension provides approximately \$14 billion in local revenue to supplement state and federal funding and advances a number of transportation projects identified in the RTP.

This report is an outgrowth of SANDAG's desire to ensure that regional *Smart Growth* plans are closely integrated with the Regional Transportation Plan, and that both plans are consistent with the Regional Comprehensive Plan.

### **Independent Transit Planning Review Panel**

Passage of the *TransNet* extension included a commitment by the SANDAG Board of Directors to conduct an *Independent Transit Planning Review (ITPR)* of the public transit system proposed in the RTP. SANDAG's Transportation Committee endorsed creation of a peer review panel to lead the ITPR. The panel was created to provide expert guidance and assistance to SANDAG to coordinate *Smart Growth* initiatives with the transit elements of the RTP. The panel's technical background and focus was transit and its relationship to land use. The intent of the review was not to redefine the RTP, but to provide guidance for the RTP Update. Its review was a fresh and independent approach without the benefit of input from riders and the community at-large. The six panel members were:

- **David Mieger**, Los Angeles County Metropolitan Transportation Authority
- **John Bonsall**, McCormick/Rankin
- **Richard Feder**, Port Authority of Allegheny County, Pennsylvania
- **Phil Selinger**, Tri-County Metropolitan Transportation District, Portland, Oregon
- **Linda Cherrington**, Texas Transportation Institute (TTI)
- **Robert Cervero**, University of California, Berkeley.

The panel met in San Diego on six occasions, in April 2005, July 2005, September 2005, November 2005 and March 2006. During these meetings, the panel completed several tasks, including:

- Toured key transit corridors
- Met with SANDAG, NCTD and Metropolitan Transit System (MTS) staff and working groups
- Gained background and field knowledge of the scope and intent of the ITPR
- Discussed and evaluated SANDAG long range transit planning and land use initiatives

Wilbur Smith Associates, Inc. (WSA) was retained to support the panel's review of SANDAG's plans. WSA researched issues that were raised by the panel, facilitated the November 2005 and March 2006 panel discussions, and prepared the final report on behalf of the Panel.

### **Panel Defined Issues**

Based on input from the panel, five issue-oriented work tasks were defined by SANDAG. This report is structured around these five issues, as described below.

#### **1. Integration of Regional Transit Vision with Land Use Vision**

- Compare the Mobility 2030 Regional Transportation Plan's transit element with the emerging Smart Growth Concept map.
- Suggest refinements to the key transit corridors based on current transit mode shares, updated travel data, existing transit infrastructure, key activity areas, MTS' Comprehensive Operational Analysis, and NCTD's Fast Forward plan.
- Research experience with smart growth strategies elsewhere, their successes in attracting new riders, institutional barriers to be overcome, and financial incentives needed. Discuss their potential application to San Diego.

#### **2. Transit Level of Investment Strategy**

- Refine the Yellow/Red/Blue/Green service concepts in light of current projects, land use issues, and experience in other cities.
- Develop definitions for different Bus Rapid Transit (BRT) gradations in light of corridor characteristics, speed/transit priorities needed, service frequencies, station spacing, and customer amenities/technologies.



- Evaluate the application, design, and trade-offs of light rail, managed lanes, bus guideway, Rapid Bus/enhanced bus investment strategies in light of Mobility 2030 and RCP goals, existing highway/transit infrastructure, sensitive lands (i.e. open space, habitat areas), financial resources, and capital and operating costs.
- Evaluate the role that Smart Growth Area Opportunities (SGOA) can play in determining the transit level of investment, in both urban and suburban settings.
- Evaluate opportunities for integration of future technologies.

### 3. BRT and Trolley Operating Cost Model

- Research BRT cost experience in other North American cities.
- Develop a BRT cost model for the various BRT gradations, calibrated to San Diego costs that factor in various cost categories, including vehicle maintenance and operations, labor, station maintenance, security, fare collection/inspection, and marketing associated with a BRT operation.
- Evaluate current trolley operating costs to provide comparison with BRT costs.

### 4. Operating Strategies

- Develop operating strategy options for different corridor applications, considering land use factors (densities, smart growth opportunities, urban design) and service characteristics (frequencies, span of service, transit markets to be served). Factor in MTS' Comprehensive Operations Analysis and NCTD's Fast Forward service concepts.
- Identify trade-offs between direct (no transfer) transit service versus trunk/feeder service concepts.
- Evaluate the role of park-and-ride lots and shuttles in enhancing access to regional transit services.
- Apply a reasonableness check in terms of matching operating costs for the strategy options with available regional funding for operations.
- Use this information to develop realistic mode-split goals for key transit corridors.

### 5. Patronage Modeling

- In conjunction with updating the SANDAG transportation model, evaluate methods used in other cities to model BRT services.



- Evaluate the potential for incorporating market research information into ridership forecasting.
- Identify how Smart Growth concepts can be integrated with the travel demand modeling process.

## **Panel Conclusions and Recommendations**

The following conclusions are the outcome of the ITPR meetings held during 2005 and 2006, and respond directly to the major issues outlined in the previous section. They are organized into general categories, but are not otherwise ranked or prioritized.

### **General Conclusions**

- The planning process should start with land use, not transportation. However, transit investments can be key tools in implementing the land use vision.
- The SANDAG Board appears to agree that livability, not just mobility, is a key goal of all SANDAG plans. The ITPR panel suggests that the RTP should facilitate the RCP vision of a balance between transportation and land use leading to improved livability throughout the region.
- The build-out threshold of an area can be increased and sustained with *Smart Growth* implementation, and through mechanisms such as infill and higher density building. This also sets the stage for actions beyond 2030.
- The SANDAG *Smart Growth* plan's effectiveness is diluted by the effort to apply *Smart Growth* principles too broadly. A more effective strategy might be to focus *Smart Growth* incentives in areas where a more immediate effect could be realized. These same (more urbanized) areas should be better candidates for enhanced transit service linked to *Smart Growth* land use.
- Behavioral changes, supportive land uses, and parking policy are often greater determinants of transit system ridership than transportation infrastructure.
- Transit investments can help to steer growth into Smart Growth centers/corridors. Highway investment should support (not undermine) livability and transit goals.
- Transit mode-share goals should be set for corridors and sub-areas of the region where the greatest potential for *Smart Growth* exists. The transit mode share and land uses should be monitored to measure the effectiveness of transit investments.

- Downtown San Diego is a key to the success of the regional transportation system. It is the major regional center and should be supported with an efficient, seamless and convenient transit system. Issues such as capacity, interlining, transit priorities and service levels need to be addressed. Downtown San Diego may need a large, multi-modal transfer station.
- Downtown transit plans should support the Downtown Community Plan Update development vision.
- Urban Villages should be distributed along corridors to ensure bi-directional travel flows throughout the day.
- People will self-select to live in communities that are well-served by transit. The demand for such communities is significant and will increase because of population aging. Identify locations with a high potential for densification that are promising markets for improved transit service.
- The transit planning approach should be a top-down effort, starting with creating a good system plan and then bringing the process to the corridor level. Ensuring that a strong network is in place to meet modal share is critical.
- Attention to pedestrian circulation and transit access is critically important to success of Smart Growth.
- The Region's Vehicle Miles Traveled (VMT) is forecasted to grow 13% faster than the population, and the average freeway speed will increase from 51 mph to 55 mph. A 38% increase in freeway lane-miles is a highway-heavy solution to the region's mobility needs, and more emphasis should be given to transit.
- The basis for an effective transit network is local bus service. Successful local routes with frequent headways and good farebox recovery rates are candidates for service upgrades, including BRT.
- Look for one or two demonstration projects to create excitement about the transit system.

### **Managed Lanes**

- The panel feels that managed lanes are primarily a highway solution to mobility, not a "transit first" approach. The dramatic increase in freeway capacity that managed lanes provide will perpetuate auto-oriented development and reduce transit's competitiveness.
- It might prove possible through pricing and other strategies to minimize the undermining aspects of managed lanes on transit.

- The panel understands the need for a balanced, multi-modal RTP that reduces the growth in congestion and provides greater modal choices, but contends that the extent of managed lanes in the RTP will reduce the transit mode share of regional trips.
- The priority for major transit capital investment should not be directed toward the managed lanes corridors, but consideration should be given to exploiting the potential of managed lanes for transit, such as express buses.
- Concern over the I-15 Managed Lane BRT concept is that the design is primarily oriented as a highway facility, rather than as a busway. A good busway design minimizes out-of-direction travel for transit users and makes transit more visible to the public.
- BRT and other services operating in managed lane corridors should be given priority at congestion bottlenecks and access/egress points, and pricing for auto access should be adjusted to maintain free-flow conditions for transit.
- Major transit capital investment (such as stations and park-and-rides) should not be provided in less dense areas of the region. Car pools, express, and feeder bus service should utilize managed lanes; however, the preponderance of transit funding should be applied to corridors that serve higher concentrations of transit riders.
- The I-805 corridor appears to have significant potential for major transit capital investment and high capacity transit service, possibly in coordination with managed lanes.
- The following service options for the I-15 Managed Lane BRT should be investigated:
  - Dedicate two of the four lanes to transit and 3-person carpools and/or trucks
  - Separate two of the lanes out as a busway, with appropriate design features
  - Consider a two vs. four lane managed lanes facility

### **Mid Coast Corridor**

- The panel supports the re-investigation that is taking place for this corridor.
- The UTC portion of the Mid Coast corridor can support a good transit circulator supported by infill and parking management policies.
- The panel questions why the BRT option that is identical to LRT is being examined. This option does not take advantage of the strength of BRT, and does not fully exploit the advantages (flexibility) of BRT.

- The Mid Coast evaluation should consider transit opportunities in the I-805 corridor as well as the potential role of the Coaster. This expanded approach would broaden the Mid Coast corridor study area and focus more on its regional context.
- The Coaster deserves special consideration for service upgrades. It could provide significantly more mobility in the Oceanside-San Diego Corridor with investment in equipment, but without the high capital investment needed to construct extensive new track.
- Considering the draft BRT alternatives, the configuration with branches at both ends of the transitway appears to maximize the advantages of BRT.
- Natural topographical constraints limit LRT opportunities, and may make BRT a better choice.
- Consider a circulator in the UTC area with fewer Mid Coast trunk line stations.
- Intermediate stations are spaced too far apart and development densities are too low to support a major capital investment in transit between Old Town and UTC. Transit demand in the corridor can be met more efficiently with high-frequency bus service. If more densification occurs, the corridor could support high-capacity transit.
- If BRT is selected as the preferred mode, the connection to and accommodation of BRT in Downtown San Diego is a major issues.

### **Parking Policy**

- Parking policy should complement and reinforce Smart Growth. It should reduce incentives to drive by managing the price and amount of available parking.
- There is an inverse relationship between the amount of transit patronage and the amount of destination parking. As the amount of destination parking increases, the tendency to use transit decreases. This should be considered in the *RTP* update.
- Smart Growth area definitions should include guidelines for parking, including pricing, restrictions, maximums, and design guidelines.
- Viable transit needs to be in place to support a more restrictive parking policy. A more restrictive parking policy alone will not reduce automobile dependency.

- Transit Oriented Development (TOD) should not be precluded by large parking structures around transit stations. Surface parking can be used as a land banks for future TOD development.
- The panel recommends against designing parking for maximum events. Instead, lower parking requirements or institute parking maxima.

### **Transportation Model**

- The regional transportation models need to be enhanced to reflect smart growth impacts on land use and transportation. Though it is impossible to upgrade the model in the short term to recognize Smart Growth inputs, post processing can be used to incorporate Smart Growth effects. For example, post processing adjustments might be appropriate to capture very high transit ridership in corridors with a high proportion of transit dependent riders or where transit service levels are very high and underestimated by the model.
- The model appears to overstate transit ridership. Substantial patronage increases are unlikely with the forecast of maintenance in levels of congestion and with the retention of existing parking policies.
- The model lacks a discrete BRT mode constant; consequently, BRT is projected to perform like LRT. This over-predicts BRT ridership unless all BRT services operate with the same amenities as LRT.

### **Individual Transit Corridors**

- More emphasis should be placed on selecting exclusive bus corridors/busways, rather than fitting them into highways and existing rights-of-way. The potential for increased transit ridership is more dependent on social, economic and land use factors and in development of patronage than on available rights-of-way.
- Consider upgrading blue car services using local streets, not just transit services using highway corridors. El Cajon Boulevard is an excellent example of successful local transit service. Successful transit corridor service can be upgraded incrementally to achieve BRT service.
- Recognize that corridors can include several types of BRT in various services.

<p>Table 2-1 Land Consumption Required to Support 2005-2030 Household Growth</p>			
Dwelling Units per Acre (du/acre)	314,000 New Dwelling Units		Smart Growth Project Type
	Acres Consumed	Square Miles Consumed	
1	314,000	490	none
2	157,000	245	none
4	78,500	122	none
8	39,500	61	none
16	19,625	30	Rural Village
32	9,812	15	Town and Community Centers
50	6,280	10	Urban Center and Transit Corridor
75	4,200	6.5	Metropolitan Center

Similarly, the projected increase of 440,000 new jobs by the year 2030 would require between 22,000 acres at 20 jobs per acre (suburban standards) and 5,500 acres at 80 jobs per acre (Metropolitan Center). These indicators of potential land consumption clearly indicate that concentration of future development near and around the *Smart Growth* centers will promote more sustainable development in the future.

Another factor to consider is that a number of light rail stations, Coaster stations and Sprinter stations are not located within *Smart Growth* areas. Efficient use of infrastructure is one of the key principles of *Smart Growth*; therefore, all existing station areas should be examined for *Smart Growth* potential. Directing growth to areas around existing rail and trolley station should be a major focus of SANDAG's *Smart Growth* planning.

In summary, comprehensive *Smart Growth* planning should consider the amount of growth allowed to occur in non *Smart Growth* centers, as well as continue to try to develop the station areas and seven center types into dense, vibrant, mixed-use areas.

**Transit Mode Split Objectives** – Mobility 2030 defines a peak period transit mode split objective of 10%. Transit mode split is the term used to describe the percentage of all person-trips made by transit. The 2000 Census reported the following journey to work transit mode usage:

## **SETTLEMENT AGREEMENT**

THIS AGREEMENT TO SETTLE ONGOING LITIGATION REGARDING THE CITY OF SAN DIEGO'S DOWNTOWN COMMUNITY PLAN (the "Agreement") is entered into as of \_\_\_\_\_, 2007, by and between Petitioner SAVE OUR FORESTS AND RANCLANDS ("SOFAR"); and the following parties (collectively referred to as "Respondents"): the CITY OF SAN DIEGO (the "City"); CENTRE CITY DEVELOPMENT CORPORATION ("CCDC"); the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO (the "Agency"); and the SAN DIEGO CITY COUNCIL (the "Council"). This Settlement Agreement shall be effective on and after the date all Parties, or their authorized representatives, sign it (the "Effective Date"). SOFAR, City, Agency, Council and CCDC are sometimes referred to collectively below as the "Parties."

### **RECITALS**

A. On February 28, 2006, the San Diego City Council adopted the City of San Diego's Downtown Community Plan ("DCP") and certified the Final Environmental Impact Report ("FEIR") prepared by consultants under contract to CCDC. The DCP is a revision of the previously approved 1992 Centre City Community Plan.

B. On April 13, 2006, SOFAR filed a Petition for Writ of Mandate in the San Diego County Superior Court (Case No. GIC 864298) against the City, Agency, Council and CCDC challenging the approval of the DCP and the certification of the FEIR. SOFAR claims in its petition that the CCDC and the City violated the California Environmental Quality Act ("CEQA") (Pub. Resources Code, § 21000 et seq.) by failing to consider an adequate range of alternatives to the proposed the DCP and by failing to adequately analyze and mitigate transportation and parking impacts of the DCP. SOFAR had also elected to prepare the proposed record of proceedings, subject to eventual certification by the lead agency. (See Pub. Resources Code, § 21167.6, subd. (b)(2).) In accordance with Code of Civil Procedure section 1089.5, Respondents would have 30 days from certification of the record of proceedings to file their answer to SOFAR's Verified Petition for Writ of Mandate.

C. On April 20, 2006, counsel for SOFAR submitted a Public Records Act ("PRA") request to Respondents City and CCDC, requesting all documents that would comprise the record of proceedings for the DCP. The Parties recognized that the record of proceedings would be voluminous and would require significant time to assemble, organize, and certify, but the

Parties disagreed on who would bear the cost of preparation. The Parties, therefore, stipulated to suspend preparation of the record of proceedings and, effective May 10, 2006, to toll, for a reasonable time period, the statutory time periods for assembling and certifying the record of proceedings and for responding to the PRA request to allow time to conduct settlement negotiations without incurring potentially unnecessary record preparation costs. The Court endorsed this Stipulation and Order to Extend Time to Prepare and Certify the Record of Proceedings on May 25, 2006.

D. On May 31, 2006, pursuant to CEQA requirements, and in an effort to resolve their differences without further litigation, the Parties engaged in a settlement conference at the CCDC offices.

E. On July 24, 2006, as settlement discussions were continuing, the Parties agreed, by Stipulation and Order endorsed by the Court, to stay all proceedings during settlement discussions, effective May 10, 2006 until August 14, 2006. On August 8, 2006, the Parties Stipulated to continue the stay of proceedings, effective May 10, 2006, and to suspend the California Environmental Quality Act ("CEQA") litigation deadlines while settlement discussion were progressing and would likely to lead to the ultimate resolution of the disputes underlying the litigation.

F. As and to the extent more fully described below, in exchange for SOFAR's agreement to dismiss this action with prejudice, CCDC agrees to initiate a study, via a subsequent Environmental Impact Report, analyzing SOFAR's proposal for a transit-oriented alternative to the DCP, as well as to pay reasonable attorney's fees to SOFAR.

G. Accordingly, the Parties enter into this Agreement to provide the procedures and framework for the analysis of SOFAR's proposal and to allow the continued implementation of the DCP to proceed without further legal action by SOFAR.

#### **AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby incorporated by reference, and of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, IT IS HEREBY AGREED as follows:



The Transit-Oriented Alternative: The transit-oriented alternative proposed by SOFAR (hereinafter "Study") would identify opportunities: (a) to more efficiently manage downtown San Diego's transportation system, (b) to investigate funding options for specific transit improvements, and (c) to reduce significant transportation and parking impacts of the Downtown Community Plan.<sup>1</sup> The Transit-Oriented Alternative recognizes that a robust downtown transit system is critical to a successful regional transit network. For instance, SANDAG's Independent Transit Planning Review Services report (Dec. 2006) concluded that "The Downtown region is a key to the success of the regional transportation center. It is the major regional center and should be supported with an efficient, seamless and convenient transit system." (ITPRS report, p. 2-28.) As part of the Study, CCDC and its Consultant would consider the following components:

**A. Public Transit**

The goal of this component is to increase San Diego's existing transit mode share for workers and overall transit mode share by 2020. Such increases in transit use would serve to prevent an increase in automobiles traveling to downtown over the same time period. Specifically, the Study would analyze the following actions, and potentially, the funding necessary to support such actions:

**1) Maximize Coaster Service**

- a) Additional Coaster station to serve Petco Park, the Gas Lamp District and the Convention Center. Improvement would require the addition of a straight track. (Addition of a straight track will permit trains to be stopped and not hold up freight traffic.)
- b) Double-tracking systemwide to shorten running times from 36 minutes during peak weekday periods and two hours for off peak service to a least 20 minute peak and one-hour off peak.

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<sup>1</sup> The transit-oriented alternative is described as the "Complete Downtown Community Transportation Plan" in the July 2006 report by Smart Mobility, Inc., circulated among the parties to the instant litigation during the summer of 2006.

2) **Maximize Trolley Service**

- a) Feasibility to underground trolley downtown.
- b) Routing trains between Mission Valley and Downtown so users do not have to transfer at Old Town.
- c) Extend Bayside line beyond 12th/Imperial to Euclid (Orange line) to provide greater access to and from Southeast San Diego. Add a “loop option” with a special trolley circulating downtown (in one or two directions. . .), with the aim of increasing capacity 25% downtown.
- d) Eliminate 5th Avenue station to facilitate transit flow.
- e) Construct station improvements to accommodate low-floor four-car trains between Old Town and Bayside lines.
- f) Construct station shelters, hardscape, and landscape improvements at downtown trolley stations so they are attractive, welcoming, comfortable and user friendly. Develop typical improvements description for trolley stations, enhancing capacity and aesthetics.
- g) Additional low-floor trolley vehicles to handle growth.
- h) Install powered switches on various lines to turn back some trains at appropriate points during rush hour.
- i) Install a “global” Advanced Traffic Signal Management System to maximize capacity and efficiency.
- j) Add a third track to bypass certain stations during commute times to allow express operations.
- k) Add new trolley lines
- l) Reconnect B Street through Civic Center for better transit access and circulation.
- m) Study feasibility of BRT/LRT couplet on B and C Streets to increase capacity.

3) **Improvements to Bus Service**

- a) Establish one or more transit corridors for trolley or Bus Rapid Transit, including the B/C street “couplet”.
- b) Establish downtown terminals for bus lines heading to and from downtown. These terminals can eliminate the need for cross-town busses. Passengers can access their downtown destinations by foot, or transfer to a free shuttle (see below) or trolley line.
- c) Reinstate downtown bus routes that were removed because of lack of MTS funds. Assume TransNet funded, not “revenue constrained” improvements.
- d) Add one low floor bus per four busses on downtown routes for disabled access.
- e) Upgrade shelters, hardscaping, landscaping and passenger information at downtown stations so that they are attractive, welcoming, comfortable and user friendly.
- f) Provide signal priority treatments, queue jump lanes, transit lanes on key downtown transit streets to provide peak hour and priority access

4) **Downtown Shuttle Service**

Implement a downtown shuttle service. There needs to be prominent cross-town routes operating at 5-minute headways or less. The Denver Transit Mall is an example of a free, high-service downtown circulator, with headways of 1.25 minutes.

Taking into account the bus and trolley improvements identified under items 2 and 3, above, examine and evaluate three shuttle scenarios:

- a. Figure 7-4 of Downtown Community Plan.

- b. The shuttle study completed by CCDC's graduate intern, Matt Lindsey, during the summer of 2005.
- c. The proposed route identified by the Shuttle Task Force in Fall 2005.

5) **Alternative Transportation Impact Fee**

Enact an ordinance to collect an alternative transportation impact fee for transit operations and streetscape improvements.

**B. Parking**

The goal of this component is to reduce the need for parking downtown. Specifically, the Study would analyze the following actions:

- 1) Elimination of the Community Plan's minimum parking requirements.
- 2) Institution of parking maximums. For example, Boston, Manhattan, and San Francisco all have implemented parking maximums in order to reduce congestion and free up land and capital for more productive uses.
- 3) Charging market price for on-street (i.e., curb) parking.
- 4) Unbundling residential off-street parking (i.e., selling the parking separately from the residential unit).
- 5) Including expanded parking at Coater and Trolley stations as assumptions in model runs.
- 6) Pricing publicly-owned garages at market rates and evaluating privatization of these garages.

**C. Transportation System Management/Pedestrian and Bicycles**

The goal of this component is to develop a detailed transportation system management ("TSM") plan, which will provide additional mechanisms to manage downtown San Diego's transportation system efficiently. Specifically, the Study would analyze the following actions:

- 1) Design street elements such as wide sidewalks, marked crosswalks, landscape buffers, bikeways, street trees, pedestrian scale lighting, benches, and corner curb extensions.
- 2) Identify downtown streets for reallocation of street right-of-way by converting travel lanes to bicycle lanes, landscaped medians, wider sidewalks, and/or parking lanes (also known as "street diets").
- 3) Identify and fill gaps in the pedestrian network.
- 4) Enhance streetscapes along transit corridors and redesign bus stops.
- 5) Provide complete bicycle network throughout downtown.
- 6) Provide bicycle access to Downtown from National City.
- 7) Provide bicycle parking and showers/lockers at the Coaster/Santa Fe Depot station and at major bus terminal facilities.

#### **D. Phasing of Development**

The goal of this component is to ensure that downtown development does not outpace the transportation infrastructure that supports it. The Study would analyze a plan for phasing of downtown development commensurate with the provision of necessary transportation improvements, including additional public transit. Such an analysis could compare this plan to phasing programs adopted by other cities.

a. *Preparation of Study.* Although the Parties do not intend to create a requirement that the City Council rescind the approved DCP or adopt the Proposed Transit-Oriented Alternative to the DCP, and this Settlement Agreement shall not be construed as implying any such obligations, the CCDC shall, in good faith, take all steps necessary to cause the preparation of the Study and the presentation of the Study to the City Council for consideration, as follows:

i. *New EIR.* The Parties agree that the environmental review of the Proposed Transit-Oriented Alternative will be performed via an Environmental Impact Report ("EIR"), prepared under the California Environmental Quality Act, which is new and separate from the EIR certified in February 2006 for the DCP. The CCDC will take all necessary steps, in

good faith, to cause the preparation of a new EIR to be initiated. CCDC agrees to ask EDAW's San Diego office, with whom CCDC has an on-call contract, to prepare the EIR, and in particular, to ask EDAW to assign the task of managing the EIR preparation to Bobbette Biddulph, if she is available.

ii. *Study Consultants.* The Parties agree that the consultant(s) and any sub-contractor(s) chosen to develop the details and parameters of the Transit-Oriented Alternative will be selected by the process identified in subparts (a)-(d) immediately below.

a. CCDC will send Requests for Qualifications (RFQs) to the following individuals, and to any other individuals who request an RFQ, if both CCDC and SOFAR agree those individuals are both qualified and acceptable to be considered:

- i. John Bonsall, McCormick Rankin International
- ii. Ellen Greenberg, Freedman Tung & Bottomley
- iii. Jeffrey Tumlin, Nelson Nygaard
- iv. Philip Erickson, Community Design + Architecture
- v. Randy McCourt, DKS
- vi. John Gard/Fred Choa, Fehr & Peers
- vii. Walter Kulash, Glatting Jackson Kercher Anglin
- viii. Alan Hoffman (as a potential subconsultant)
- ix. Francis Cuillier
- x. Robert Cervero, UC Berkeley (as a potential sub-consultant)

b. Once the deadline for receipt of responses to the RFQs has passed, CCDC will provide copies of all responses to SOFAR. The Parties will then confer regarding their preferences for the consultants and attempt to agree on which respondents to invite for selection interviews at CCDC, based on selection criteria the Parties will attempt to develop together; however, if the Parties cannot reach mutual agreement on the selection criteria and/or the final interview list, CCDC retains the right to unilaterally select respondents to invite for interviews.

- c. CCDC will use its best efforts to schedule the interviews to be held in a sequential, efficient manner, and will inform SOFAR of the interview schedule as soon as one is set. CCDC will interview all respondents who accept an invitation, and SOFAR will be afforded an opportunity to conduct separate interviews of only the same consultants on the same day.
- d. At the conclusion of the interview process, the Parties will confer and attempt to reach agreement on the final selection of the consultant(s) and subconsultant(s). The Parties agree CCDC will have the authority to make the final selection(s) from the list; however, and only if there are four or more potential consultants interviewed, SOFAR will be afforded a single peremptory challenge, should it wish to disqualify one interviewed consultant prior to final selection by CCDC.

iii. *Draft Review.* The Parties agree that SOFAR is authorized to review any and all administrative drafts of the Transit-Oriented Alternative and/or the alternative's components, after such drafts have been reviewed internally by CCDC staff and approved for release to SOFAR by CCDC's attorneys. SOFAR also has the right to submit comments on these administrative drafts to the Study consultant through CCDC. Public-review drafts of the Transit-Oriented Alternative that have been finalized through CCDC's and the Study consultant's screencheck process and approved for release by CCDC's attorneys shall be made available to the public upon request and shall be provided to SANDAG, and public comments received will be forwarded to consultant through CCDC. However, SOFAR agrees to defer to the Study consultant(s) on any and all final conclusions of the Study.

iv. *Completion of Study.* The Parties agree to take all necessary steps, in good faith, to ensure that the preparation of the Transit-Oriented Alternative by the Study Consultant is completed within six (6) months of the Effective Date of this Agreement.

v. *Preparation of EIR.* The Parties further agree to take all necessary steps, in good faith, to ensure the preparation of the EIR to analyze the Transit-Oriented Alternative shall begin as soon as possible after the completion of the Study, and if feasible, before a final version of the Transit-Oriented Alternative is ready, but in no event shall the

commencement of the preparation of the EIR begin later than thirty (30) days after the Study is complete. For the purposes of this agreement, "commencement of the preparation of the EIR" does not mean the date that a Notice of Preparation ("NOP") is issued, but rather, the preliminary consultations with the EIR consultant regarding project scope and description, scheduling, and other initial steps necessary for the preparation of an NOP, and ultimately, the EIR.

vi. *Public Review & Input Process.* The publication of the Draft EIR shall commence the public review and input process through which interested persons, including SOFAR, can offer the City Council their input on the Transit-Oriented Alternative and the EIR. CCDC shall also provide a copy of the Draft EIR to SANDAG.

vii. *Submission of Study and EIR to City Council.* The CCDC shall use its best efforts to ensure that, within ninety (90) days after the Final EIR is completed, the Transit-Oriented Alternative and Final EIR will be presented to the City Council for its consideration. Because CCDC must also first present the Transit-Oriented Alternative and Final EIR to its Board of Directors, Centre City Advisory Committee, and the City Planning Commission, any failure to complete this process within ninety (90) days after CCDC has employed its best efforts to complete these steps in a timely fashion, shall not be held to be a material breach of this agreement.

viii. *Action by Council.* Following the public review and input process, the City Council may approve, reject or modify the Transit-Oriented Alternative and/or the conclusions of the Final EIR.

## 2. Other Obligations.

a. *Dismissal of Action by SOFAR.* On the Effective Date, the Action shall be deemed settled and SOFAR shall, within five (5) business days of payment of attorney's fees pursuant to paragraph 3 subsection b, below, execute and file a Request for Entry of Dismissal with Prejudice of Case Number GIC 864298 at the San Diego County Superior Court. The Entry of Dismissal with Prejudice shall have the effect of dismissing the Action against all of the Parties named in the Action, and, pursuant to Public Resources Code section 21167.2, the FEIR certified on February 28, 2006 for the DCP shall "be conclusively presumed to comply with the provisions of [CEQA] for purposes of its use by responsible agencies, unless the provisions of Section 21166 are applicable." The Parties agree that it is a condition precedent to the effectiveness of the Agreement that the trial court, in response to said motion, enter an order



reserving jurisdiction to enforce the Agreement pursuant to Code of Civil Procedure § 664.6, unless the trial court, for whatever reason, will not sign the proposed order reserving jurisdiction, as described immediately below. The Parties agree to submit a proposed order reserving jurisdiction in the trial court pursuant to a Stipulation and Order substantially in the following form:

Petitioner and Respondents have entered into a Litigation Settlement Agreement and Release (the "Agreement"), a copy of which is attached hereto as Exhibit 1.

The Agreement includes terms anticipating that the trial court enter an order reserving jurisdiction to enforce the Agreement pursuant to C.C.P. § 664.6.

The Court is authorized to reserve jurisdiction to enforce the Agreement pursuant to C.C.P. § 664.6 upon written request of the parties as provided in *Wackeen v. Malis* (2002) 97 Cal.App.4th 429, 439-441.

THEREFORE, it is hereby STIPULATED by Petitioner and Respondents that, and Petitioner and Respondents hereby jointly request that, this Court reserve jurisdiction to enforce the Litigation Settlement Agreement pursuant to C.C.P. § 664.6 and this written stipulation of the parties.

In the event that, for whatever reason, the trial court does not grant the Petitioner's motion to enter the proposed order described immediately above, and thus declines to make this Agreement enforceable pursuant to Code of Civil Procedure § 664.6, the Agreement shall instead be enforceable by either party through the filing of new litigation alleging a breach of the Agreement.

b. *Attorney's Fees.* CCDC shall pay to SOFAR, within thirty (30) days after the Effective Date of this Agreement, attorney's fees and costs incurred by SOFAR in connection with the litigation and settlement of this Action (Case No. GIC 864298) in the sum of **\$58,613.00** by check made jointly payable to SOFAR and the law firm of Shute, Mihaly & Weinberger LLP. If CCDC accepts this offer without change, SOFAR waives any right to seek recovery of any additional money from Respondents, or any of them, in connection with the dismissed claims. Respondents shall bear their own attorneys' fees and costs.

c. *Press Strategy.* The Parties agree to cooperate to prepare and issue a joint press release regarding the terms of this agreement, to be provided to the press upon the filing of the Request for Entry of Dismissal with Prejudice.

d. *Sole and Final Agreement.* Except as otherwise specifically provided herein, this Agreement is intended to be and is the final expression of the Agreement between the Parties with respect to the subject matter of this Agreement, and supersedes and fully and completely extinguishes any prior understandings or agreements by or between the Parties, whether oral or written, express or implied.

e. *Warranty of Authority.* Each party warrants that the execution of this Agreement, and the covenants, representations, warranties, promises, and releases created hereunder have been duly authorized by all necessary corporate, partnership, or other necessary action and that the persons signing this agreement have full authority to do so.

f. *Mutual Cooperation.* The Parties agree to cooperate in good faith to carry out the provisions and intent of this Agreement, including the timely execution and delivery of any other documents necessary to carry out its provisions. Each of the Parties shall execute and deliver to the others all such other further instruments and documents, and take all other such actions, as may be reasonably necessary to carry out the terms and provisions of this Agreement and secure to the others the full and complete enjoyment of their respective rights and privileges hereunder. The parties agree to meet and confer in good faith to try to resolve any conflicts arising under this Agreement prior to bringing any actions in court to enforce the Agreement.

g. *Changes in State Law.* In the event legislation is adopted in the state of California that materially affects this Agreement, SOFAR agrees to meet and confer with Respondents with respect to such legislation, and to cooperate to implement to the extent practicable (and without increasing the Respondents' obligations hereunder), means by which the Respondents' obligations hereunder may be deemed to satisfy the requirements of such legislation as a whole or in part.

h. *Notices.* Except as otherwise specifically set forth herein, all notices or other communications specifically required or permitted to be given under this Agreement shall be in writing and personally delivered or sent by certified mail, return receipt requested and postage prepaid, or sent by reputable overnight courier (such as Fed Ex), or by telefacsimile with copies sent by overnight courier or U.S. Postal Service the following day, to the addresses or telefacsimile numbers set forth below. Any Party may at any time change its address or telefacsimile number for the delivery of notice upon five (5) days' written notice to the other Parties.

SAVE OUR FORESTS AND RANCLANDS

c/o Ms. Rachel B. Hooper  
c/o Ms. Catherine C. Engberg  
Shute, Mihaly & Weinberger LLP  
396 Hayes Street  
San Francisco, CA 94102  
Telephone: (415) 552-7272  
Telefacsimile: (415) 552-5816

CENTRE CITY DEVELOPMENT CORPORATION

Nancy Graham  
President & Chief Operating Officer  
225 Broadway, Suite 1100  
San Diego, CA 92101  
Telephone: (619) 235-2200  
Telefacsimile: (619) 235-9148

CITY OF SAN DIEGO

Michael J. Aguirre, City Attorney  
Huston Carlyle, Chief Deputy City Attorney  
Office of the City Attorney  
Civic Center Plaza  
1200 Third Avenue, Suite 1100  
San Diego, California 92101  
Telephone: (619) 236-6220  
Telefacsimile: (619) 533-5856

With copies to:

LOUNSBERY FERGUSON ALTONA & PEAK, LLP

Helen H. Peak  
960 Canterbury Place, Suite 300  
Escondido, California 92025-3836  
Telephone: 760-743-1201  
Telefacsimile: 760-743-9926

REMY, THOMAS, MOOSE, and MANLEY, LLP

Sabrina V. Teller  
455 Capitol Mall, Suite 210  
Sacramento, California 95814  
Telephone: (916) 443-2745  
Telefacsimile: (916) 443-9017

COAST LAW GROUP, LLP  
Marco Gonzalez  
169 Saxony Road, Suite 204  
Encinitas, California 92024  
Telephone: (760) 942-8505  
Telefacsimile: (760) 942-8515

i. *Third Party Beneficiaries.* Nothing in this Agreement shall be construed to confer any rights or impose any obligations upon any person or entity not a Party to this Agreement.

j. *Execution in Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, and together shall constitute one and the same instrument, having the same force and effect as if a single original had been executed by all Parties. Furthermore, this Agreement may be executed and delivered by the exchange of electronic facsimile copies or counterparts of the signed documents, which facsimile copies or counterparts shall be binding upon the Parties.

k. *Time of the Essence.* Time is of the essence for this Agreement.

l. *Interpretation; Governing Law.* This Agreement shall be interpreted, and the rights and the duties of the Parties shall be determined, in accordance with the laws of the State of California, as applied to contracts entered into and performed (or capable of performance) in California by California persons or entities.

m. *Headings; Cross-References.* The headings and captions used in this Agreement are for convenience and ease of reference only and shall not be used to construe, interpret, expand or limit the terms of this Agreement. All cross-references in this Agreement, unless specifically directed to another agreement or document, shall refer to provisions in this Agreement and shall not be deemed to be references to any other agreements or documents.

n. *No Duress.* This Agreement is executed voluntarily by each of the Parties without any duress or undue influence on the part of, or on behalf of any of them. Each of the Parties to this Agreement has read and fully understands the meaning of each provision of this Agreement and has relied on the independent advice and representation of legal counsel in entering into this Agreement.

o. *Successors and Assigns.* The terms and conditions of this Agreement shall be binding upon and insure to the benefit of the Parties. SOFAR's rights and obligations hereunder may not be assigned.

p. *Construction.* This Agreement has been reviewed by legal counsel for all Parties, and no presumption or rule that ambiguities shall be construed against the drafting party shall apply to the interpretation or application of this Agreement.

q. *Equitable Relief.* Because the amount of damages in the event of a breach of this Agreement may be difficult or impossible to determine, the obligations of the Parties shall be enforceable by specific performance or other equitable relief, in addition to any other available remedy.

r. *Denial of Wrongdoing and Liability.* This Agreement pertains to disputed claims and does not constitute an admission of liability by the Respondents, or any of them. Neither this Agreement nor the fact that it has been entered into shall be construed as an admission of liability nor shall anything contained within this Agreement be construed or deemed to be evidence of any admission of any liability or wrongdoing whatsoever, or of any allegation made in the Action. It is expressly understood that Respondents deny any such liability or wrongdoing.

4. Effective Date. This Agreement shall become effective upon execution by all parties, or their authorized representatives.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date hereinafter written.

SAVE OUR FORESTS AND  
RANCHLANDS

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Duncan McFetridge  
Its: \_\_\_\_\_

CENTRE CITY DEVELOPMENT  
CORPORATION

Dated: \_\_\_\_\_

\_\_\_\_\_

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

Its: \_\_\_\_\_

CITY OF SAN DIEGO

Dated: \_\_\_\_\_

\_\_\_\_\_

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

Its: \_\_\_\_\_

SAN DIEGO CITY COUNCIL

Dated: \_\_\_\_\_

\_\_\_\_\_

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

Its: \_\_\_\_\_

REDEVELOPMENT AGENCY OF THE  
CITY OF SAN DIEGO

Dated: \_\_\_\_\_

\_\_\_\_\_

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

Its: \_\_\_\_\_



AGENDA ITEM NO.

32

**REQUEST TO SPEAK FORM**

ORDER REQUEST RECEIVED

5

**\*\*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

4/12/07

Name (PLEASE PRINT)

JOY SUNYATA

Address

255 G ST #202

92101

Telephone

858 5763886

Organization Represented (if any)

Subject of your remarks:

ON C ST NO CAR TRAFFIC  
ONLY PROMENADE

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.\*\***





9:41

AGENDA ITEM NO.

32

## REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

4

**\*\*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 4 12 07

Name (PLEASE PRINT) DUNCAN McFetridge

Address DESCANSO

Telephone 445-9638

Organization Represented (if any) SOFA R

Subject of your remarks: \_\_\_\_\_

Agenda Item Number on which you request to speak \_\_\_\_\_

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

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





## C Street Master Plan Update

April 12, 2007



## C Street Master Plan Update

### April Update to Focus on:

- 6<sup>th</sup> to 7<sup>th</sup> Avenue Station Design Concepts
- Traffic Data
- Need For 4-Car Trains
- Next Steps
- Recommendation



## C Street Master Plan Update

### Have information on:

- Downtown Partnership Loop Proposal
- Initial analysis of 4-car trains spanning street and door locations



## 6<sup>th</sup> to 7<sup>th</sup> Ave Station

- CCDC & consultant team refined 4 design concepts to accommodate 3-car low-floor S70 trains:
  1. Minimum dimension & variance;
  2. Restricted pedestrian crossing;
  3. Pedestrian scramble; and
  4. Trolley spanning 6<sup>th</sup> or 7<sup>th</sup> Ave.



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11th St

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9th St

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7th St

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100th St

Designated Door

Designated Door

Vault may require relocation

Easement Required

Survey required to confirm exact bldg. location

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56th St

57

- 



	6 <sup>th</sup> Ave.		7 <sup>th</sup> Ave.		8 <sup>th</sup> Ave.	
	AM	PM	AM	PM	AM	PM
N-S Streets at C St.	459	714	502	415	284	317

ON C Street at Avenue	-	-	32	122	45	152
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## 2030 Traffic Volumes (1-Hour)

	6 <sup>th</sup> Ave.		7 <sup>th</sup> Ave.		8 <sup>th</sup> Ave.	
	AM	PM	AM	PM	AM	PM
N-S Streets at C St.	590	866	1320	1160	1311	1350

ON C Street at Avenue	185	236	329	415	275	568
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## Traffic ON C Street (1-Hour)

	6 <sup>th</sup> Ave.		7 <sup>th</sup> Ave.		8 <sup>th</sup> Ave.	
	AM	PM	AM	PM	AM	PM
Existing Volume	-	-	32	122	45	152
2030 Volume	185	236	329	415	275	568

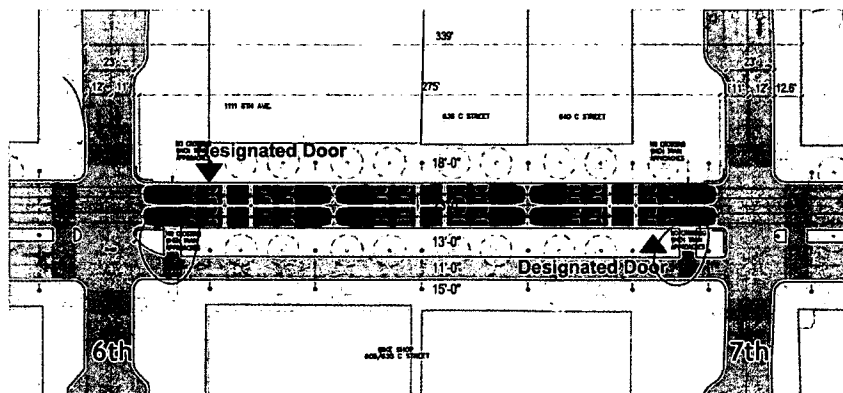


## Traffic at C Street (1-Hour)

	6 <sup>th</sup> Ave.		7 <sup>th</sup> Ave.		8 <sup>th</sup> Ave.	
	AM	PM	AM	PM	AM	PM
Existing Volume	459	714	502	415	284	317
2030 Vol.	590	866	1320	1160	1311	1350
LOS w/3 lanes	A	B	C	B	B	B
LOS w/2 lanes	B	D	E	E	D	F



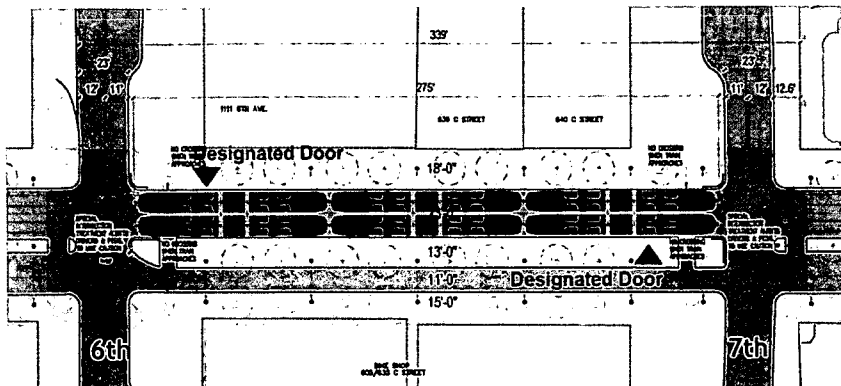
## 2. Restricted pedestrian crossing concept



- 275-foot platform; no crosswalks on station block
- Two travel lanes at either 11 or 12-feet wide on 6<sup>th</sup> & 7<sup>th</sup> Ave.



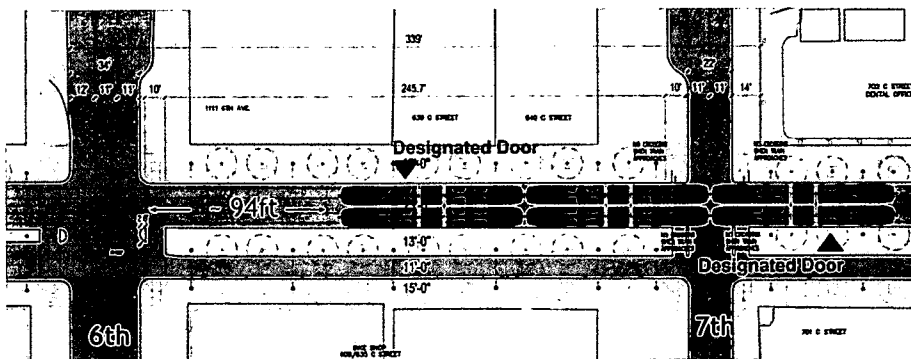
### 3. Pedestrian scramble concept



- 275-foot platform; no crosswalks on station block.
- Two travel lanes at either 11 or 12-feet wide on 6<sup>th</sup> & 7<sup>th</sup> Ave.
- 3<sup>rd</sup> phase for signal cycle; competition for green on C Street.



#### 4. Trolley spanning 6th or 7th Avenue



- 6<sup>th</sup> Ave retains 3 lanes, 7<sup>th</sup> Ave reduced to 2 lanes
- S70 doors would open onto platforms adjacent to street



## Need For 4-Car Trains

Reviewed following:

- Current inbound capacity provided
- Current inbound ridership
- Anticipated inbound ridership
- Best practical inbound capacity



## Current Inbound Capacity Provided

### Current Peak Period Frequencies

7 - 8 minutes between trains on Blue Line

15 minutes between trains on Orange Line

\*\* train every 5 minutes on average, or 12 per hour

### Trains Per Peak Hr Entering C St. from South & East

8 Blue Line Trains	(8 x 3 = 24 cars, 1,536 seats)
+ 4 Orange Line Trains*	+ (4 x 3 = 12 cars, 768 seats)
=12 Total Trains	=(36 cars total, 2,304 seats)*

\* One 4-car train on Orange Line in AM Peak, 2,368 seats



## Current Inbound Ridership (1-HR AM Peak)

Approach to Downtown	Riders	Seats	Load Factor
Blue Line (NB, from South)	2,052	1,536	1.336
Orange Line * (WB, from East)	1,039	768	1.249
Combined	3,091	* 2,368	1.305

Source: SANDAG PCP



## Anticipated 2030 Trolley Ridership

Downtown Community Plan EIR anticipates 172% increase in transit trips at peak times and 183% all day specific to downtown.

SANDAG model anticipates 65% to 100% increase across system.

MTS recent observations illustrate 2.1% annual increase system-wide when isolating trends when system is stable (i.e. no expansions); over 25 years would be 68.1% by 2030.





## Best Possible/Practical Trolley Service

### Peak Period Frequency

Train every 4 minutes on average, or 15 per hour\*

- Assumes various infrastructure improvements

### As 3-Car trains entering C St. from South & East

15 Total Trains = 45 cars total, or 2,880 seat (+25%)

### As 4-Car trains entering C St. from South & East

15 Total Trains = 60 cars total, or 3,840 seat (+67%)



## 2030 Trolley Performance? (Peak 1-Hr)

		3-Cars per 5min		
		Riders	Seats	Load Factor
Existing Conditions (NB Blue & WB Orange)		3,091	*2,368	1.305

		3-Cars per 4min			4-Cars per 4min	
		Riders	Seats	Load Factor	Seats	Load Factor
Per DT CPU EIR		8,408	2,880	2.919	3,840	2.190



## 2030 Trolley Ridership? (Peak 1-Hr)

	3-Cars per 4min			4-Cars per 4min	
	Riders	Seats	Load Factor	Seats	Load Factor
DT CPU EIR 172% (4.1%/yr)	8,408	2,880	2.919	3,840	2.190
100% Incr. (2.8% / yr)	6,182	2,880	2.147	3,840	1.610
68% Incr. (2.1% / yr)	5,196	2,880	1.804	3,840	1.353



## 4-Car Train Need/Service Needs

- Review of existing and anticipated ridership indicates in the long term, 4-car trains will eventually be necessary to serve downtown.
- Considerations
  - Centre City line near capacity
  - Existing ridership is high
  - Projected ridership is high



## 4-Car Trains At Other Stations

### Length Considerations:

- San Ysidro
- Park & Market
- City College
- Civic Center
- County Center

### Platform Curve/Door Location Considerations:

- America Plaza
- City College \*



## Next Steps

- Pending MTS Board approval, CCDC Board of Directors to consider. Pending their approval plans to be submitted to City of San Diego for review of the northern alignment and station concept 1.
- Mayor Sanders is asking MTS to retain consultant to review operation of high frequency loop proposal.



## Recommendation

The Executive Committee forwards the following recommendations to the Board:

1. Based on current analysis, that the Board express preliminary support for Design Concept 1: Minimum Dimension and Variance Concept;
2. That the Board clarify that, in the long term, 4-car trains will eventually be necessary to serve downtown; and
3. That MTS staff be authorized to provide available information assessing the implications of the Downtown Partnership's loop proposal on trolley operations and cooperate with stakeholders if a formal study is pursued .



## C Street Master Plan Update

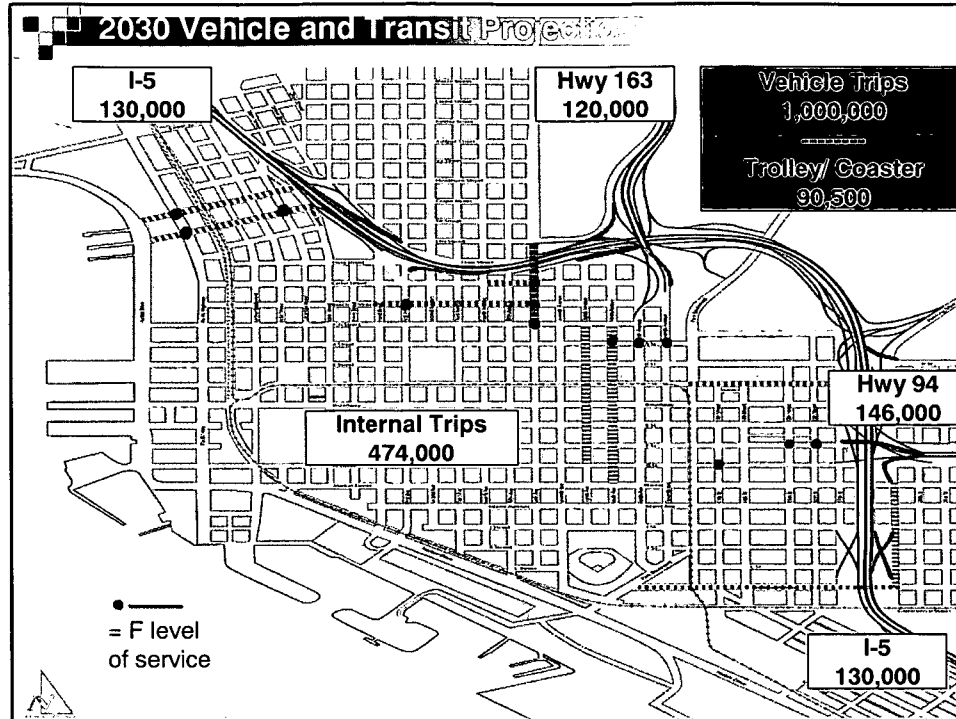
April 12, 2007



## SOFAR/ CCDC Settlement

- “The goal of this component is to increase San Diego’s existing transit mode share for workers and overall transit mode share by 2020. Such increases in transit use would serve to prevent an increase in automobiles traveling to downtown over the same period.”

“The Downtown region is a key to the success of the regional transportation center. It is the major regional center and should be supported with an efficient, seamless and convenient transit system.” ES-5



## LAND CONSUMPTION W/ PROJECTED GROWTH

	Dwelling Units per Acre (du/acre)	314,000 Dwelling Units		Smart Growth Project Type
		Acres Consumed	Square Miles Consumed	
Sprawl Development	1	314,000	490	None
	2	157,000	245	None
	4	78,500	122	None
	8	39,500	61	None
Transit Oriented Communities	16	19,625	30	Rural Village
	32	9,812	15	Town and Community Centers
	50	6,280	10	Urban Center and Transit Corridor
	75	4,200	6.5	Metropolitan Center



1255 Imperial Avenue, Suite 1000  
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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.

April 12, 2007

# This number not used

APRIL12-07.45.NO NOT USED



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.



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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.

SRTP 840.9.1 (PC 50451)

April 12, 2007

### SUBJECT:

MTS: AIRPORT TRANSIT PLAN

### RECOMMENDATION:

That the Board of Directors receive a report regarding the San Diego International Airport's proposed Airport Transit Plan.

#### Budget Impact

None at this time.

### DISCUSSION:

San Diego International Airport (SDIA) is developing plans for the expansion of terminal, parking, roadway, and airfield facilities to provide the additional capacity that will be needed through 2015 and beyond. The plans include an update to the Airport Master Plan, a related Environmental Impact Report, and an Airport Transit Plan. SDIA staff will present the draft Airport Transit Plan for review and comment at the Board meeting.

Currently, direct public transit access to SDIA is provided by MTS Route 992, which operates between downtown San Diego and the airport's three terminals (the route map appears in Attachment A). This service operates seven days per week, from 5:00 a.m. to 12:30 a.m., at a frequency of 12 to 15 minutes until 11:00 p.m. and 30 minutes thereafter. Route 992 connects with other regional and local transit services, including Coaster, Amtrak, trolley, and bus at America Plaza and at Third and Fourth Avenues on Broadway. The five bus stops located at Terminals 1 and 2 and the Commuter Terminal generate approximately 1,400 boardings and alightings per day.



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.



### Airport Expansion Plans

In order to accommodate the projected growth in the number of airline passengers, SDIA plans to expand Terminal 2 by 10 gates, which will increase the total number of gates at the airport to 51. In addition, SDIA plans to build a parking structure in front of Terminal 2 and provide a second-level roadway at the terminal and new western access from Harbor Drive. These developments are planned to become operational in 2010.

The resulting improvements in on-airport circulation may reduce out-of-direction travel time sufficiently to warrant providing direct transit service to Terminals 1 and 2 from the peninsula communities of Point Loma and Ocean Beach. These communities generate 2.5% of all airport trips, including those of passengers and airport-related employees. Service could be provided relatively inexpensively by diverting Route 923 onto the reconfigured airport roadway (the current routing is presented in Attachment B).

### Airport Transit Plan

As part of updating its master plan, SDIA prepared a draft Airport Transit Plan (ATP) with the involvement of the San Diego Association of Governments (SANDAG), MTS, the North County Transit District (NCTD), and other transportation agencies. The ATP proposes ways to improve transit access to SDIA to meet the goal of increasing the transit market share from 1.2% of the 48,000 daily airline passengers to 4% to 6%. An increase to 5%, for example, represents an increase from 576 to 2,400 per day in the number of SDIA airline passengers using transit.

The elements proposed by SDIA to improve transit access include customer service training, frequency increases, bus rapid transit (BRT) strategies, enhanced marketing, new and restructured routes, and alternative transit improvements. One of the potential BRT strategies is establishing a shuttle service between the Old Town Transit Center and the airport terminals. This direct shuttle would reduce travel time to the airport for passengers originating north of SDIA by eliminating the out-of-direction travel to downtown San Diego that is required on Route 992. SDIA proposes that this shuttle be provided only for passengers connecting with other transit services at the Old Town Transit Center. In order to make this service feasible, it would be necessary to either develop strategies to prevent airport park-and-ride use that would displace existing transit passengers, since Old Town Transit Center parking is at capacity, or expand parking, which would require building a parking structure with the approval of the California State Parks and Recreation Department.

### Status and Next Steps

SDIA staff presented the draft ATP to the MTS Executive Committee and to the NCTD Board of Directors in February and plans to present it to the SANDAG Transportation Committee on May 4. Following the presentations to the MTS Board of Directors and the Transportation Committee, SDIA staff plans to revise the ATP and present it to the San Diego County Regional Airport Authority Board for adoption in late spring 2007.

SDIA plans to incorporate the ATP into the Airport Master Plan for adoption by the end of 2007. With timely Federal Aviation Administration approval of its plans, SDIA would begin the design and construction phase of the Terminal 2 expansion in 2008.



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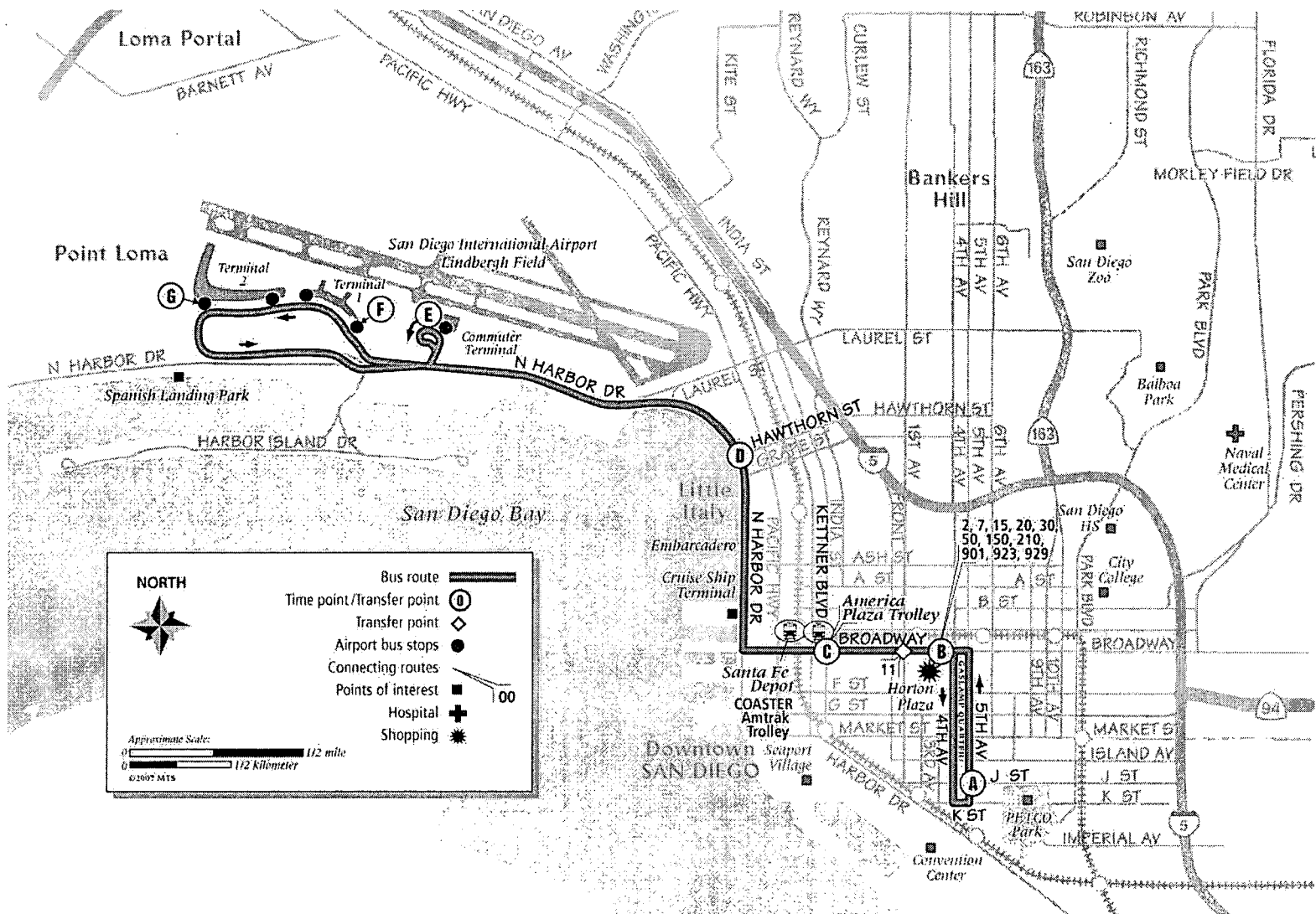
Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Mark Thomsen, 619.595.4909, [Mark.Thomsen@sdmts.com](mailto:Mark.Thomsen@sdmts.com)

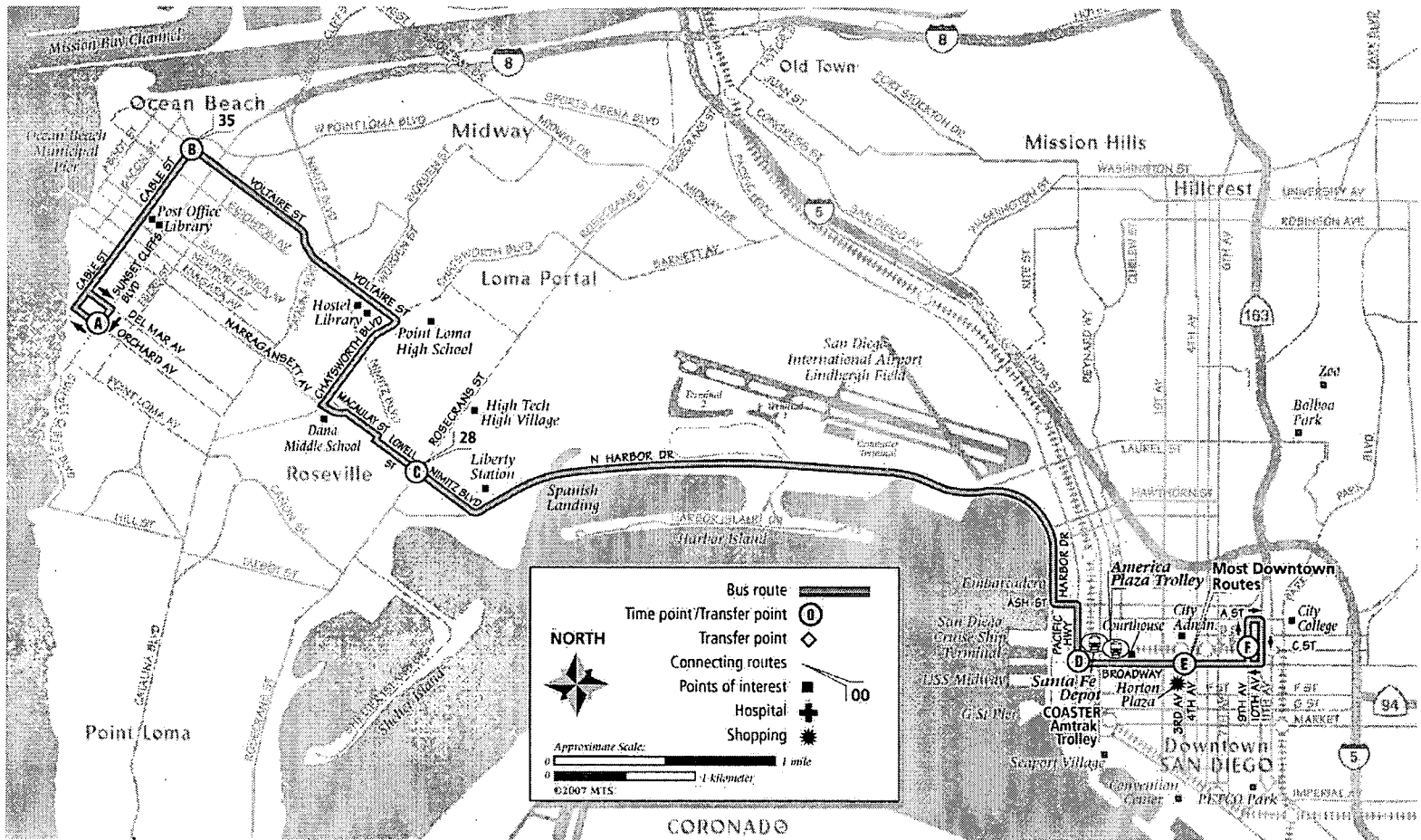
APRIL12-07.46.AIRPORT TRANSIT PLAN.MTHOMSEN

Attachments: A. Route 992 map  
B. Route 923 map

# ROUTE 992



# ROUTE 923





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## Agenda

Item No. 61

Chief Executive Officer's Report

ADM 121.7 (PC 50101)

April 12, 2007

In accordance with Board Policy No. 52, Procurement of Goods and Services, attached are listings of contracts, purchase orders, and work orders that have been approved within the CEO's authority (up to and including \$100,000) for the period March 13, 2007, through April 2, 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,

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Chief Executive Officer's Report

April 12, 2007

Contracts

Organization	Subject	Amount
SANDAG	TRACK REPAIR THROUGH SANDAG CONSTRUCTION CONTRACT	\$350,000.00
PADRES COUNTY OF S.D	LEASE OF PARKING SPACES AT MILLS BUILDING	\$0.00
EXPONET, INC	RIGHT OF ENTRY PERMIT: PERFORM SOUNDING	\$0.00
DELLNER COUPLERS, INC.	PROVIDE 300 MOVING CONTACTS	\$15,058.06
SAFETRAN SYSTEMS	PROVIDE TWO TRACK CIRCUIT KITS	\$5,980.78
MCDUGAL LOVE	GENERAL LIABILITY LEGAL SERVICES	\$50,000.00
SIEMENS TRANSPORTATION	PROVIDE SIX S70 FRONT WINDSHIELDS	\$19,537.35
HANSON BRIDGETT MARCUS	LEGAL SERVICES	\$50,000.00
WILLIAM F. NORRIS	PROVIDE CONSULTING SERVICES	\$25,000.00
CREATIVE BUS SALES. INC	PURCHASE OF ONE EL DORADO CHEVROLET	\$41,142.02
TRAPEZE SOFTWARE	SOFTWARE MAINTENANCE ASSESSMENT	\$245,011.25
ALLAN WASH	ADVERTISING SERVICES	\$1,608,479.09
LAW OFFICES OF R.MARTIN BOHL	GENERAL LAND-USE LEGAL SERVICES	\$50,000.00
INTEGRATED OFFICE SYSTEMS	MAINTENANCE SERVICES FOR MTS AND EQUIPMENT	\$15,960.49
ALLIED WEED CONTROL	AMENDMENT NO. 5 TO SDTI DOC CO.008.0-04	\$126,180.62
LAW OFFICES OF BING I. BUSH JR	LEGAL SERVICES- LIABILITY	\$45,000.00
GIRO, INC	ALLOW WINDOWS GUI SHAKE-UP BIDDING	\$1,975,918.00
CALIFORNIA RAIL TRANSIT	AGREEMENT TO PROVIDE MUTUAL AID	\$0.00
SANDAG	MEMORANDUM OF UNDERSTANDING FOR SD COMMUTE WEBSITE	\$0.00
MCCUNE	THREE DODGE TRUCKS - DAKOTA CLUB CAB	\$69,741.93
GRANT & SODEN	LEGAL SERVICES-GENERAL LIABILITY	\$40,000.00
MCDOWELL ADJUSTING COMPANY	THIRD-PARTY ADMINISTRATION OF LIABILITY CLAIMS	\$369,500.00
LAW OFFICES OF GRAY & POUTY	LEGAL SERVICES- WORKERS COMPENSATION	\$35,000.00
RYAN MERCALDO & WORTHINGTON	LEGAL SERVICES-LIABILITY	\$35,000.00
NEXT G NETWORKS	LICENSE FOR AERIAL FIBEROPTIC LINES	\$2,100.00
NEXT G NETWORKS	LICENSE FOR AERIAL FIBEROPTIC LINES	\$2,100.00
GE TRANSPORTATION	ONE HYDRA SWITCH MACHINE	\$10,994.93
BEST BEST & KRIEGER	LAND USE EMINENT DOMAIN, RELATED SUBJECT	\$30,000.00

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**Chief Executive Officer's Report**

April 12, 2007

Contracts

WISMER & BARBER	LEGAL SERVICES- WORKERS COMPENSTATION	\$65,000.00
BUTZ DUNN DESANTIS	LEGAL SERVICES-LIABILITY	\$100,000.00
BEST BEST & KRIEGER	GENERAL LEGAL LIABILITY SERVICES	\$100,000.00
ICMA RC	457 ADMINISTRATOR	\$0.00
NORTH COUNTY TRANSIT DISTRICT	PERMIT TO CONSTRUCT COASTER LAYOVER	\$0.00

Agenda Item No. 61  
Chief Executive Officer's Report

April 12, 2007

Purchase Orders

Organization	Subject	AMOUNT
CAPTURE TECHNOLOGIES	FREEDOM SYSTEMS SOFTWARE	\$3,874.75
CHARRETTE CORPORATION	PRINTER CARTRIDGES	\$1,208.10
BROADCAST CO OF THE AMERICAS	TALENT FEE FOR RECORD RADIO SPOT	\$1,500.00
ALL THE KINGS FLAGS	OLD TOWN FLAGS	\$1,230.34
DIARIO SAN DIEGO	FULL COLOR AD IN BASEBALL SECTION	\$495.00
PRINT SYSTEMS INC	MTS LETTERHEAD	\$2,091.94
SAN DIEGO MAGAZINE	FULL PAGE AD, 3/4 PANEL, 1/2 PAGE	\$4,940.00
OFFICE DEPOT	BOOKCASES FOR FINANCE DEPT.	\$986.99
G. NEIL CORPORATION	COMPREHENSIVE PERSONALITY ANA.	\$824.50
PEARSON REID LONDON HOUSE	READING INDEX TEST PACKAGE	\$589.54



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**Chief Executive Officer's Report**

April 12, 2007

Work Orders

Organization	Subject	Amount
BERRYMAN & HENIGAR	PM AND GEN SERVICES FOR CLOSE-OUT	\$130,686.00
WASHINGTON GROUP INTERNATIONAL	TIME EXTENSION-CM CONTRACT PHASE 2	\$46,047,385.01
BERRYMAN & HENIGAR	AMEND 2 TO ENG SERVICES	\$120,217.00
AGILYSIS INC.	INCLUSION OF THE EMC STORAGE SOFTWARE	\$31,818.87
AGILYSIS INC.	INCLUSION OF THE EMC STORAGE SOFTWARE	\$28,000.64