

EXECUTIVE COMMITTEE MEETING FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
SAN DIEGO TRANSIT CORPORATION (SDTC),
AND SAN DIEGO TROLLEY, INC. (SDTI)

July 10, 2008

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

Chairman Mathis called the meeting to order at 9:02 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Ewin moved approval of the minutes of the June 5, 2008, Executive Committee meeting. Mr. Monroe seconded the motion, and the vote was 5 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. MTS: Leon Williams Station Dedication Update (ADM 110)

Ms. Sharon Cooney, Director of Government Affairs and Community Relations, reminded Executive Committee members that the original estimate for this project was \$63,000 for a full-size bronze statue of Mr. Williams. She reported that only one \$15,000 donation has been received and that this donation was made by Mr. William Jones, who is spearheading this effort. She reported that in a recent conversation between Mr. Paul Jablonski, MTS CEO, and Mr. Jones, Mr. Jones indicated that he would like to change the scope of the project to bring the cost closer to \$25,000.

Mr. Emery stated that he was not in favor of downsizing this project and felt that further fund raising efforts should be made. Mr. Monroe stated that he also did not favor downsizing the project and suggested that Coca-Cola might be interested in making a donation. He suggested discussing this matter with each of the County supervisors also. Ms. Cooney reminded the Committee that the original scope for this project was for a bust and that the project team that was formed to pursue this project changed the scope to a full-size statue. Ms. Atkins stated that she was also not in favor of downsizing the project and suggested that a letter be sent out soliciting donations and that the letter be signed by a couple of Board members.

In response to a question from Mr. Atkins, Ms. Cooney explained that a nonprofit account, the San Diego Foundation, was set up to accept the donations for this project. She added that donations were being sought for the SDSU Leon Williams library room during the same time period and may have diverted some donations that would have been made to this project. Mr. Mathis suggested that Ms. Cooney approach the project team to find out what the MTS Board can do to assist with fund raising efforts. Ms. Atkins suggested that a couple of Committee/Board members meet with the project team. Chairman Mathis, Mr. Monroe, and Mr.

Rindone volunteered for this meeting. In response to a question from Mr. Ewin, Ms. Tiffany Lorenzen, MTS General Counsel, stated that MTS is prohibited from soliciting donations from its vendors. She suggested that MTS vendors not be involved in order to avoid the appearance of any impropriety.

In response to a comment from Mr. Monroe, Ms. Cooney explained that one-half of the estimated cost for this project consists of the artist's fee and reported that the cost of bronze has gone up since the estimate was first made. Mr. Monroe requested that staff get an updated estimate. Mr. Rindone stated that he would like to see the unveiling of the project occur during the APTA Annual Meeting and EXPO in early October.

Action Taken

No action was taken on this item.

2. MTS: Taxicab Maximum Allowable City Rates of Fare – Enactment of a Per-Fare \$1.00 Fuel Surcharge and Modification of MTS Policies and Procedures No. 34 (TAXI 570.1, 590.10)

Mr. John Scott, MTS Taxicab Administration Manager, provided background for the recommendation that a per-fare \$1.00 fuel surcharge be enacted. He pointed out that this would be a temporary measure, would be charged outside the meter at the discretion of each taxicab driver, and would provide immediate relief. Mr. Scott pointed out that most operators are not charging the maximum allowable rate and that 13 out of 15 of the existing radio services have agreed not to raise their rates if this surcharge is enacted. He added that should the majority request to change currently approved rates, the fuel surcharge would be suspended. In response to a question from Mr. Rindone, Mr. Scott stated that taxicab drivers will have a decal displayed inside the cab advising customers of the surcharge.

Action Taken

Mr. Monroe moved to forward a recommendation to the Board of Directors to authorize (1) enactment of a temporary per-trip fuel surcharge of \$1.00 for all taxicabs regulated by MTS Taxicab Administration; and (2) modification of MTS Policies and Procedures No. 34 (For-Hire Vehicle Services) Section 34.5.1 to allow airport rates of fare to be calculated on an annual basis. Mr. Ewin seconded the motion, and the vote was 5 to 0 in favor, with Ms. Atkins recusing herself because of ongoing discussions at the City regarding this matter.

3. MTS: CBS Outdoor Advertising – Contract Renewal (MKPC 620.9)

Mr. Rob Schupp, Director of Marketing and Communications, provided a history of the 15-year contract MTS currently has with CBS Outdoor. He pointed out that industry experts have advised MTS that now is not a good time for issuing advertising requests for proposals and that it is better to renew contracts. Mr. Schupp reported that a five-year extension has been negotiated with CBS Outdoor that would generate \$4 million over the term of the contract and outlined the components of that revenue.

Mr. Schupp reported that the Memorandum of Understanding (MOU) with the City of San Diego was also restructured, and that City of San Diego staff were in agreement with the new terms, which included no revenue split. He reviewed major elements of the MOU. He added that MTS staff members have since been advised by Mayor Sanders' office that the City wants to have a share of the revenues since the shelters are located in City of San Diego right-of-way, and that they want to discuss the MOU at their September City Council meeting.

Mr. Schupp stated that the current contract with CBS Outdoor expires on July 31, 2008, and CBS Outdoor is unwilling to extend month-to-month. He stated that MTS's budget was approved based on all revenues from this contract coming to MTS. He stated that delaying this matter would have a negative impact on the budget and could cause MTS to lose its contract with CBS Outdoor. Mr. Schupp stated that MTS could (1) extend the current contract for one year (with no revenues to MTS), (2) try to extend the current contract through September; or (3) execute the five-year contract extension with CBS and hold payments until the MOU is finalized with the City. Mr. Schupp pointed out that any negative budget impacts that occur because of this issue could result in service reductions. Mr. Peter Tereschuck, SDTI General Manager, reported that the service reductions would be Tier 3 adjustments, which affect core services and would affect both Trolley and bus.

Mr. Rindone stated that staff should be careful not to set a precedent for sharing revenues with cities where shelters are located because shelters are located in many cities. Chairman Mathis stated that he was also very uncomfortable with sharing revenues with the City of San Diego for the reason stated by Mr. Rindone. Mr. Ewin suggested that MTS start renegotiating its contracts with more lead time in order to allow for these types of delays. He suggested that Chairman Mathis contact Mayor Sanders to discuss this matter.

Mr. Monroe felt that MTS should proceed with the contract with CBS Outdoor rather than risk all of the revenue and then work with the City on the MOU. Chairman Mathis was hesitant about committing to a contract and then not being able to deliver as agreed under the terms of that contract. Ms. Lorenzen stated that the City could require the removal of all the shelters in City right-of-way. Ms. Cooney reported that the Chief Financial Officer for CBS Outdoor called her that morning to say that they need to make commitments to their advertisers based on a certainty that the shelters will be available. Mr. Monroe suggested that any service cuts that result from the sharing of this revenue with the City be made to routes within the City. Mr. Schupp pointed out that this issue needs to be heard by the San Diego City Council in July and that is still possible.

Mr. Ewin stated that these types of items should be finalized before they are incorporated into the budget. Chairman Mathis stated that it is not always possible to do that. Mr. Rindone pointed out that everyone thought this issue was finalized because City staff members who negotiated the MOU with MTS were in agreement about the terms.

Mr. Monroe requested that San Diego City Council representatives who sit on the MTS Board be provided with a briefing so they can be a voice for MTS during council discussions on this matter. Ms. Lorenzen stated that, based on an opinion from the Fair Political Practices Commission, that should not be a problem. Mr.

Monroe suggested that Ms. Patti Boekamp be contacted and asked to speak on MTS's behalf and also suggested that staff contact City Councilmember Faulconer to alert him that routes within his district could be affected. Mr. Ewin stated that the Mayor should first be given the opportunity to act before involving San Diego City Council members.

Committee members agreed to take no action and forward this item to the Board for discussion.

Public Comment

Lorraine Leighton: Ms. Leighton reported on vandalism and disrepair problems at shelters and bus stops.

Action Taken

No action was taken on this item.

4. MTS: Banking Services (FIN 360)

Mr. Tom Lynch, MTS Controller reviewed the banking services that would be included in this particular contract award and the cost. He described the criteria that were used to evaluate the bidders and reported that Bank of America received the highest ranking. In response to a question from Mr. Ewin, Mr. Lynch reported that there were two bidders, and that Bank of America bid was \$100,000 less than that of the other bidder.

Action Taken

Mr. Rindone moved to forward a recommendation to the Board of Directors to authorize the CEO to award a contract (MTS Doc. No. G1147.0-08 in substantially the same form as Attachment A of the agenda item) to Bank of America for banking services. Mr. Emery seconded the motion, and the vote was 5 to 0 in favor.

5. MTS: Pension Obligation Bonds (POB) Follow-Up (AG 280.1)

Mr. Keith Curry, Public Financial Management (PFM), reviewed the direction that was given to staff in April regarding the variable-rate pension obligation bonds. He reported that, since that time, Moody's and Standard's & Poors have downgraded MBIA, and UBS is now exiting the bond market and seems less motivated to remarket these pension obligation bonds. He added that Dexia is still working on the letter of credit for these bonds. Mr. Curry recommended that E.J. De La Rosa and Company be used as the remarketing agent for the POB transaction. He also suggested that consideration be given to purchasing the bonds back until they can be remarketed at appropriate market rates. He added that this could be used as a short-term strategy (two to six weeks). Mr. Curry also stated that MTS should adopt a swap policy governing how such instruments are used.

In response to a question from Mr. Roberts, Mr. Curry stated that funding could be used from MTS's investment account to buy back the bonds because the interest that would be lost would be less than the interest MTS is paying for the bonds. He stated that the lost interest from the investment account would be charged to the

pension obligation bonds. Mr. Roberts stated that, given the volatility of the market, these bonds should be watched very closely.

In response to a question from Mr. Roberts, Mr. Curry reported that the POBs total \$76 million. Mr. Telfer reported that the San Diego Transit pension plan has a portfolio of \$170 million and is funded at 87 percent. Mr. Roberts stated that the POBs comprise a significant portion of the pension plan, and that needs to be made clear during future discussions of this matter. Mr. Telfer stated that this fact would be addressed during the next actuarial report. Mr. Roberts stated that MTS should consider how it is going to reduce that debt.

Action Taken

Mr. Rindone moved to forward a recommendation to the MTS Board of Directors to approve the following action items and to direct staff to report on the pension plan funding for the San Diego Transit pension plan and its relationship to the Pension Obligation Bonds: (1) Replace UBS with the firm of E.J. De La Rosa and Company as the remarketing agent for the pension obligation bond transaction; (2) adopt a swap policy governing how such instruments are used; (3) continue the effort to convert the existing liquidity facility to a Letter of Credit and issue refunding bonds to extinguish the MBIA, Inc. insurance; and (4) consider purchasing our own bonds until our bonds can be remarketed at appropriate market rates. Mr. Ewin seconded the motion, and the vote was 6 to 0 in favor.

The Committee convened to Closed Session at 10:34 a.m. to discuss the following item:

6. **MTS: CLOSED SESSION: Conference with Labor Negotiators Pursuant to California Government Code Section 54957.6. Agency-Designated Representative: Jeff Stumbo. Unrepresented Employee (Chief Executive Officer).**

The Committee reconvened to Open Session at 11:25 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, MTS General Counsel, reported the following action taken in Closed Session:

The Committee reviewed the agenda item and recommending forwarding to the Board of Directors.

D. RECOMMENDED BY THE EXECUTIVE COMMITTEE FOR THE BOARD CONSENT AGENDA

In response to a question from Mr. Monroe, Ms. Lorenzen stated that the increased authorization for legal services requested under Agenda Item D3 is budgeted.

1. **SDTI: Light Rail Vehicle Vandalism and Accident Repair Services- Contract Amendment** (OPS 970.6)

That the Board of Directors authorize the CEO to exercise the second and final option year of the contract with Carlos Guzman, Inc. (SDTI Doc. No. C.O.011.2-07

– Attachment A of the agenda item) for light rail vehicle accident and vandalism repair services.

2. MTS: Drug and Alcohol Policy for San Diego Trolley, Inc. (ADM 110.2)

That the Board of Directors to adopt Resolution No. 08-14 (Attachment A of the agenda item), which would implement SDTI's updated drug and alcohol policy in order to comply with current Federal Transit Administration regulations.

3. MTS: Increased Authorization for Legal Services (LEG 490)

That the Board of Directors to authorize the CEO to enter into a contract amendment (MTS Doc. No. G1095.1-07 – Attachment A of the agenda item) with the Law Office of Paul, Plevin, Sullivan & Connaughton, LLP for legal services.

4. MTS: Light Rail Vehicle Rehabilitation Services – Contract Amendment (CIP 11165)

That the Board of Directors authorize the CEO to exercise the second and final contract extension option with Carlos Guzman, Inc. (MTS Doc. No. L0744.2-06 – Attachment A) to continue to provide light rail vehicle paint and body rehabilitation services.

Action Taken

Mr. Ewin moved to approve placing Agenda Items No. D1, D2, D3, and D4 on the Consent portion of the July 17, 2008, Board agenda. Mr. Rindone seconded the motion, and the vote was 6 to 0 in favor.

E. REVIEW OF DRAFT JULY 17, 2008, BOARD AGENDA

Recommended Consent Item

6. MTS: Transit Security Grant Program (AG 210.9)

Recommend that the Board of Directors approve Resolution 08-13 (Attachment A of the agenda item) authorizing the CEO to submit applications for funds provided by the federal Department of Homeland Security and administered through the State of California Office of Homeland Security.

7. MTS: Investment Report – April 2008 (FIN 300)

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

8. MTS: Investment Report – May 2008 (FIN 300)

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

Recommended Consent Items

There was no discussion of the recommended Consent item.

Recommended Board Discussion Items

There was no discussion of recommended Discussion Items.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

Senior Mini-Grant Program: Ms. Sharon Cooney, Director of Government Affairs and Community Relations, reported that the next Transportation Committee meeting will be held on July 18, 2008. She stated that they will be discussing the TransNet II Senior Mini-Grant Program. She reminded the Committee that MTS has applied for funding through this program to save \$1 million in services that are in danger of being cut if no funding is identified, and that these services are used by seniors. She stated that there is currently a debate at SANDAG about whether or not MTS is eligible to receive this particular funding and whether or not the Transportation Committee has the authority to say who is eligible.

Mr. Monroe stated that he read the minutes for the Independent Taxpayer Oversight Committee (ITOC) meeting at which Ms. Cooney testified on this matter on MTS's behalf. He reported that the minutes state that this funding is not to be used for fixed routes and that MTS's proposal involves fixed routes. He also added that MTS's proposal, according to the minutes, is for routes with ridership comprised of only 30 percent seniors.

Don Stillwell Complaints: Ms. Cooney reported that MTS has received a letter from Councilmember Madaffer requesting that MTS address Mr. Don Stillwell's continuing complaints about Route No. 14 and connections with the Grantville Trolley Station. She stated that the Transportation Committee will be hearing this matter at an upcoming meeting, and MTS staff will be there to answer questions. Mr. Monroe requested that staff prepare a rebuttal that addresses Mr. Stillwell's comments point by point. Ms. Cooney advised the Committee that Councilmember Madaffer participated in a field trip with MTS staff to review the routes and connections that are the subject of Mr. Stillwell's complaints and agreed with staff's decision regarding this matter.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

San Diego Vintage Trolley Donation: Mr. Rindone presented a donation of \$503.88 for the San Diego Vintage Trolley Restoration Project.

Interviews for Federal Recertification Review: Mr. Rindone stated that he had been asked to participate in this review and requested that he be briefed as needed. Ms. Cooney stated that she would look into this matter. Chairman Mathis requested that he also be informed.

G. PUBLIC COMMENTS


Clive Richard: Mr. Richard reported some recent difficulties he had because trolleys were running late as a result of special service to the Padres game. He stated that there is something wrong when a system can't respond and adjust to changing conditions in a reasonable way. He didn't feel that money was the only issue.

H. NEXT MEETING DATE:

The next meeting is scheduled for Thursday, August 21, 2008, in the Executive Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 11:35 a.m.

A handwritten signature in black ink, appearing to read "Gail Williams", written over a horizontal line.

Chairman

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

**EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 7/10/08

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

RECESS _____

RECONVENE _____

CLOSED SESSION 10:34 a.m.

RECONVENE 11:25 a.m.

ADJOURN 11:35 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS <input checked="" type="checkbox"/> (Young) <input type="checkbox"/>		9:27 a.m. during AI C3
EMERY <input checked="" type="checkbox"/> (Cafagna) <input type="checkbox"/>		
EWIN <input checked="" type="checkbox"/> (Clabby) <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>		
MONROE <input checked="" type="checkbox"/> (McLean) <input type="checkbox"/>		
RINDONE <input checked="" type="checkbox"/> (Emery) <input type="checkbox"/>	9:04 a.m. during AI C1	
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	10:09 a.m. during AI C5	

SIGNED BY OFFICE OF THE CLERK OF THE BOARD Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: Sharon Cooney for

Tiffany Lorenzen