

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

July 17, 2008

MTS  
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

1. Roll Call

Chair Pro Tem Emery called the Board meeting to order at 9:10 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Clabby moved to approve the minutes of the June 26, 2008, MTS Board of Directors meeting. Ms. Atkins seconded the motion, and the vote was 8 to 0 in favor, with Ms. Downey abstaining.

3. Public Comment

There were no Public Comments.

CONSENT ITEM:

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

Recommend that the Board of Directors approve Resolution No. 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.

9. MTS: Light Rail Vehicle Vandalism and Accident Repair Services – Contract Amendment  
(OPS 970.6)

Recommend 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.011.2-05 – Attachment A of the agenda item) for light rail vehicle accident and vandalism repair services.

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

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

Recommend that the Board of Directors 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.

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

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

Action on Recommended Consent Items

It was reported that Consent Agenda Item No. 10, Drug and Alcohol Policy for SDTI, was being deferred.

Ms. Downey moved to approve Consent Agenda Items No. 6, 7, 8, 9, 11, and 12. Ms. Atkins seconded the motion, and the vote was 10 to 0 in favor.

**CLOSED SESSION:**

Chairman Mathis arrived and presided over the meeting from this point forward.

24. Closed Session Items (ADM 122)

The Board convened to Closed Session at 9:13 a.m.

- a. MTS: CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6. Agency-Designated Representative: Jeff Stumbo. Unrepresented Employee (Chief Executive Officer).
- b. MTS: CONFERENCE WITH PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8:  
Property: 1341 Commercial Street and 1501 National Avenue, San Diego, California  
Agency Negotiators: Paul Jablonski, Tiffany Lorenzen, Tim Allison  
Negotiating Parties: Merlone Geier Partners  
Under Negotiation: Price and Terms of Payment

The Board reconvened to Open Session at 10:41 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, MTS General Counsel, reported the following: City of San Diego representatives Atkins, Faulconer, Maienschein, and Young recused themselves from discussion and action of item no. b.

- a. The Board authorized the Chairman to execute the new Executive Employment Agreement with the MTS Chief Executive Officer, Paul C. Jablonski. The vote was 10 to 4 in favor.

- b. The Board gave direction to real property negotiators Paul Jablonski, Tiffany Lorenzen, and Tim Allison.

#### NOTICED PUBLIC HEARINGS

25. There were no noticed public hearings.

#### DISCUSSION ITEMS:

30. SDTC: Pension Obligation Bonds Follow-Up (OPS 960.6)

Mr. Cliff Telfer, MTS Chief Financial Officer, provided the Board with an overview of the history of the pension obligation bond (POB) issue and recent problems in the bond market. He reported that MBIA, the insurer on these bonds, has been downgraded two additional times by rating agencies since staff's last report and has become somewhat of a liability. He also reminded the Board that UBS, the remarketing agent for the bonds, is in the process of getting out of the bond market. Mr. Telfer reviewed the swap performance from October 2005 to June 2008. He also reported that the interest rate on the variable portion is currently 7.2 percent and that each one-point increase in the interest increases MTS's annualized investment cost by \$388,000.

Mr. Telfer introduced Mr. Raul Amezcua, E.J. De La Rosa and Company, and advised the Board that staff is recommending that De La Rosa be approved as the new remarketing agent for the POBs. Mr. Amezcua reported that the Dexia letter of credit currently being developed will serve as a credit enhancer, will extinguish the MBIA insurance, and should make it possible for the bonds to once again be traded at about three to four percent. Mr. Amezcua also reported that the POB ratings of A1 with Moody's and A with Standards & Poors (S&P) are solid ratings for a transit agency. He then reviewed the objectives for remarketing the POBs. Mr. Jablonski stated that it is MTS's goal to have low debt and that the recommended actions could accelerate the rate at which MTS is able to pay off this particular debt. He added that \$4.4 million has already been paid off.

Mr. Amezcua reported that one of the proposed actions is that MTS consider purchasing its own bonds, which would be a short-term action. He stated that MTS has excess capital in its Local Agency Investment Fund (LAIF) that is earning three percent that could be used to make this purchase. He stated that this approach makes sense because the interest that MTS would lose by taking this money from the LAIF would be less than the interest cost MTS is incurring related to the bonds.

Ms. Lorenzen pointed out that the recommendation section in the agenda item should include a recommendation that the Board adopt Resolution 08-15 appointing De La Rosa as the remarketing agent for the POBs, which was attached to the item.

In response to a comment by Mr. Jablonski, Mr. Amezcua stated that the two bond insurers that are still active are now charging premium rates. He stated that others are trying to create new entities but that this process takes some time to complete. He stated that Mr. Warren Buffet is being very selective about who he is doing business with and is charging exorbitant prices. He stated that the letter of credit option gives MTS the opportunity to convert its variable-rate bonds to fixed-rate bonds at a future date and provides MTS with more options and flexibility.

Chairman Mathis stated that bullet point no. 4 of the recommendation as stated in the agenda item should read "purchase" instead of "consider purchasing."

Action Taken

Mr. McLean moved to (1) adopt Resolution 08-15 to 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 (Policies and Procedures No. 58 – Interest Rate 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) purchase our own bonds until our bonds can be remarketed at appropriate market rates. Ms. Downey seconded the motion, and the vote was 10 to 1 in favor, with Mr. Young casting the dissenting vote.

Mr. Rindone moved to waive staff reports on Agenda Item Nos. 31 and 32. Mr. Jones seconded the motion, and the vote was 11 to 0 in favor.

31. MTS: Banking Services (FIN 360)

In response to a question from Mr. Young, Mr. Tom Lynch, MTS Controller, explained that the Request for Proposals for this contract were sent to eight firms, two of which responded. He stated that both of the responding firms were deemed responsive and responsible. He reviewed the five categories that were rated by the evaluation team for each proposer. Mr. Lynch stated that Bank of America was rated higher on their technical proposal than U.S. Bank and was \$98,000 lower in cost. In response to a question from Mr. Young, Mr. Lynch reported that Bank of America ranked higher in community investment on a national, county, and local basis. Mr. Young felt that more points should be given for local and county investment than national investment and especially favored project with capital investment; e.g. housing projects.

Action Taken

Mr. Rindone moved 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 11 to 0.

32. MTS: An Ordinance Amending Ordinance No. 4, an Ordinance Establishing a Metropolitan Transit System Fare-Pricing Schedule (ADM 110.3)

There was no discussion of this item.

Action Taken

Mr. Clabby moved to adopt the ordinance (Attachment A of the agenda item) entitled "An Ordinance Amending Ordinance No. 4, an Ordinance Establishing a Metropolitan Transit System Fare-Pricing schedule" and direct publication of an ordinance summary. Mr. Rindone seconded the motion, and the vote was 11 to 0.

33. 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 of the operators request to change currently approved rates, the fuel surcharge would be suspended. Mr. Scott stated that taxicab drivers will have a decal displayed inside the cab advising customers of the surcharge.

In response to a question from Mr. McClellan, Mr. Scott reported that the miles-per-gallon figure used was provided to staff by taxicab representatives. In response to another question, Mr. Scott stated that taxicab rates of fare will be recalculated in early 2009. He confirmed that staff would not return to the Board before dropping the surcharge – that the surcharge will be dropped if taxicab operators raise their rates or when fuel prices return to normal levels.

#### Public Comment

*Margo Tanguay, Driver Representative on MTS Taxicab Committee and Self-Employed Taxi Driver:* Ms. Tanguay stated that she supported staff's recommendation.

*Alfredo Hueso:* Mr. Hueso stated that he was in favor of the surcharge and that he would also like to see one rate of fare. He stated that there are some smaller taxicabs with better fuel economy, but they cannot carry as many passengers or as much luggage so are not favored by many drivers.

#### Action Taken

Mr. McClellan moved to (1) enact a temporary per-trip fuel surcharge of \$1.00 for all taxicabs regulated by MTS Taxicab Administration; and (2) modify MTS Policy and Procedure No. 34 (For-Hire Vehicle Services), Section 34.5.1, to allow airport rates of fare to be calculated on an annual basis. Mr. Roberts seconded the motion, and the vote was 10 to 0.

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

Ms. Atkins and Mr. Young recused themselves from this item on advice from the City Attorney.

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 existing 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 reviewed major elements of the MOU, including the provision for the City to receive 10 percent of the net from revenues from ads placed within the City of San Diego. A revised Memorandum of Understanding was provided as a handout at the beginning of the meeting. He stated that the City Council would be hearing this item at its July 29 meeting. He added that, under the terms of the contract, the revenue received by the city from this contract must be used for bus pad replacements or other transit-related improvements. Chairman Mathis pointed out that if the City wishes to use any of this revenue for nontransit-related purposes, that use must be approved by the MTS Board.

Mr. Jablonski pointed out that, other than creating a new revenue stream, this contract would make it possible for MTS to enhance advertising on shelters, preserve MTS's flexibility when the shelter contract is rebid in five years, allow MTS to assume title to the shelters at the end of the

contract, and preserve MTS's options going forward. Chairman Mathis stated that the City of San Diego is bound by its own policy to pursue revenue sharing when it enters into agreements related to contracts that generate revenue. Mr. Rindone reminded the Board that this item is one of the options that was approved by the Budget Development Committee and the Board of Directors to aid in closing MTS's budget deficit.

#### Action Taken

Mr. Rindone moved to authorize the CEO to execute (1) a Memorandum of Understanding (MTS Doc. No. G1124.0-08) between MTS and the City of San Diego allowing MTS to generate revenue from advertising sales on bus shelters and on bus benches placed within the City of San Diego right-of-way in substantially the same format as attached to the agenda item; and (2) a five-year contract extension (MTS Doc. No. T0068.8-91, Attachment B of the agenda item) with CBS Outdoor to maintain all existing bus shelters, relocate bus shelters as directed by MTS, install new bus shelters as directed by MTS, and provide MTS with advertising revenue from bus shelters of at least \$4 million over the five-year contract period in substantially the same format as attached to the agenda item. Mr. Clabby seconded the motion, and the vote was 8 to 0.

#### REPORT ITEMS:

##### 45. MTS: Year-To-Date Operations Budget Status Report Through May 2008 (FIN 310.2)

Mr. Mike Thompson, Assistant Budget Manager reviewed the operations budget status through May 2008. He reported that MTS is \$5,012,000 under budget for this period. Mr. Jablonski pointed out that \$5 million in nonrecurring revenues was used to close the budget deficit for FY 2008, and MTS is now very close to not having to use that revenue.

#### Action Taken

Mr. McClellan moved to receive the MTS Year-to-Date Operations Budget Status Report through May 2008. Ms. Downey seconded the motion, and the vote was 8 to 0 in favor.

##### 60. Chairman's Report

The Chairman made no report.

##### 61. Audit Oversight Committee Chairman's Report

No report was made.

##### 62. Chief Executive Officer's Report

*Headlights Magazine:* Mr. Jablonski called everyone's attention to the Headlights Magazine provided to each Board member. He reported that there was a good article on the history of San Diego Trolley in the magazine.

*Balboa Park Coupon Book:* Mr. Jablonski pointed out that each Board member had been provided with a coupon book for activities at Balboa Park. He stated that MTS has an ongoing partnership with the park.

*Retirement:* Mr. Jablonski announced that Mr. Peter Tereschuck, SDTI General Manager, has announced his intention to retire in August. Mr. Jablonski stated that he will be recognized for his contributions at the August 21, 2008, Board meeting.

63. Board Member Communications

There were no Board Member Communications.

64. Additional Public Comments on Items Not on the Agenda

There were no additional Public Comments.

65. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, August 21, 2008.

66. Adjournment

Chairman Mathis adjourned the meeting at 11:37 a.m.



Chairperson  
San Diego Metropolitan Transit System

Filed by:




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

Attachment: A. Roll Call Sheet

gail.williams/minutes

Approved as to form:

  
Office of the General Counsel  
San Diego Metropolitan Transit System

METROPOLITAN TRANSIT DEVELOPMENT BOARD  
ROLL CALL

MEETING OF (DATE): 7/17/08

CALL TO ORDER (TIME): 9:10 a.m.

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

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

CLOSED SESSION: 9:13 a.m.

RECONVENE: 10:41 a.m.

PUBLIC HEARING: \_\_\_\_\_

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

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

ADJOURN: 11:37 a.m.

BOARD MEMBER (Alternate)		PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>		11:22 a.m. before AI 34
CLABBY	<input checked="" type="checkbox"/> (Selby) <input type="checkbox"/>		
EMERY	<input checked="" type="checkbox"/> (Cafagna) <input type="checkbox"/>		11:13 a.m. during AI 33
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		10:25 a.m. during AI 24
FAULCONER	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>		10:20 a.m. during AI 24
MAIENSCHIN	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>	9:18 a.m. during AI 24	
MCCLELLAN	<input checked="" type="checkbox"/> (Hanson-Cox) <input type="checkbox"/>		
MCLEAN	<input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/>		
MONROE	<input type="checkbox"/> (Downey) <input checked="" type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (McCann) <input type="checkbox"/>	9:12 a.m. for AI 24	
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:12 a.m. for AI 24	
RYAN	<input type="checkbox"/> (B. Jones) <input checked="" type="checkbox"/>	9:15 a.m. during AI 24	
YOUNG	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>		11:23 a.m. before AI 34
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