

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

MINUTES

November 12, 2009

MTS
1255 Imperial Avenue, Suite 1000, San Diego

FINANCE WORKSHOP

1. Roll Call

Chairman Rindone called the meeting to order at 9:01 a.m. A roll call sheet listing Board member attendance is attached. The Finance Workshop was recessed at 9:02 a.m. to accommodate outside counsel attending the Board meeting closed session.

BOARD OF DIRECTORS MEETING

Chairman Mathis called the meeting of the Board of Directors to order at 9:03 a.m. The Board convened to Closed Session at 9:03 a.m.

CLOSED SESSION (Taken Out of Order)

24. a. MTS: CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
SIGNIFICANT EXPOSURE TO LITIGATION Pursuant to Subdivision (b) of the California
Government Code Section 54956.9 (One Potential Case).
- b. MTS: CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California
Government Code Section 54956.8; Property: 3650 Main Street, Chula Vista, California
(Assessor Parcel No. 623-250-23); Agency Negotiators: Tiffany Lorenzen, General
Counsel; Tim Allison, Manager of Real Estate Assets; and Jane Wiggans, Wiggans
Group, Inc.; Negotiating Parties: Sav-On Systems, a California Limited Partnership;
Under Negotiation: Price and Terms of Payment

Oral Report of Final Actions Taken in Closed Session

The Board reconvened to open session at 9:42 a.m. Ms. Lorenzen reported the following:

- a. The Board received a report from General Counsel.
- b. The Board received a report and gave direction to the agency negotiators and outside counsel.

The Board of Directors meeting was recessed until after the Finance Workshop. The Finance Workshop reconvened at 9:45.

FINANCE WORKSHOP

2. MTS: Fiscal Year 2010 and 2011 Budgets

Mr. Jablonski stated that meetings have taken place with the Budget Development Committee and the Executive Committee concerning a variety of revenue and expense updates and their potential impacts on the fiscal year 2010 and 2011 operating budgets. He added that staff will be reviewing the current situation, the projected forecast, and the strategy going forward.

Mr. Larry Marinesi, MTS Budget Manager, gave a PowerPoint presentation on the MTS fiscal year 2010 and 2011 forecast. He added that the fiscal year 2009 sales tax revenue began to drop off in the first quarters with a significant drop in the third and fourth quarters compared to the previous fiscal years. He stated that the first quarter of fiscal year 2010 was down 17% compared to the first quarter of 2009.

Mr. Marinesi stated that SANDAG's new sales tax projection is a reduction of -11.1% from the budgeted projection for fiscal year 2010, which is a \$7.2 million decrease. He stated that ridership is projected to be -8.1% lower than budgeted, and there is a \$7.5 million reduction in fare revenue expected compared to the fiscal year 2010 budget, which is an 8% variance. He stated that interest income and advertising revenue have decreased by \$1.2 million, which is a total of -17.5%. He reviewed expenses, which are expected to be lower than budgeted for a favorable variance of \$2.9 million. He explained that the budget shortfall expected for fiscal year 2010 is \$13 million.

Mr. Marinesi described options for \$12.5 million in one-time funding shifts from the capital program to operations that included American Recovery Reinvestment Act funds, compressed natural gas credits, funds from the South Bay Maintenance Facility Project, and TDA capital reserves. He added that all of these funds are flexible and can be used for operations. He stated that these options were discussed with the Budget Development Committee and the Executive Committee. He stated that the \$13 million shortfall in the fiscal year 2010 budget could be balanced with \$12.6 million from one-time funding.

Mr. Marinesi reviewed fiscal year 2011 projections for operating revenues and expenses, which results in a \$14.4 million shortfall. He stated that there could be \$8.2 million in one-time funding, which would leave a remaining deficit of \$6.2 million for fiscal year 2011.

Sharon Cooney continued with the presentation describing fare adjustments. She stated that a number of opportunities have been considered including increases in monthly pass fares, increases in day pass fares, additional charges for day passes, raising the senior eligibility to age 65, and implementing on-peak and off-peak rates. She added that all fare activities would require a fare ordinance change and actions by the SANDAG Board.

Ms. Cooney stated that \$7 million in annual subsidy savings could be realized from service changes. She reviewed the proposal of Sunday service reductions, which would be reduced substantially. She added that very few weekday reductions are being considered because it is felt that the current weekday service is appropriate for the demand. She stated that there may be reductions in Saturday frequency on some routes, and one route may be discontinued. Ms. Cooney stated that the baseline level of Sunday service would be reduced substantially, 28 of the current 60 Sunday routes would not operate, and of the 32 routes remaining, most would

be shortened, operate at a reduced frequency, or have reduced spans in the evenings and mornings.

Ms. Cooney described the data from the Comprehensive Operational Analysis of weekend service that was completed and analyzed by staff. There were 2,556 total hours of onboard passenger counts on Saturdays and Sundays. She stated that 56% of the weekday passenger load is carried on Saturday, and 58% of the weekday hours and miles are operated at a cost of \$11 million. She stated that Sunday is the lowest ridership day of the week (43.8 riders per revenue hour, which is 43% of the total of weekday passengers) carrying 145,000 passengers versus 274,000 weekday riders. She added that Sunday has the highest percentage of discretionary trips.

Ms. Cooney described the approach to the Sunday restructure, which would retain weekday and Saturday service as much as possible. She pointed out that all of the routes that are proposed to be affected are listed in the handout, and the map shows the Sunday network of routes with frequency changes and span changes.

Ms. Cooney stated that the Budget Development Committee has made a recommendation to staff to move forward as soon as possible with the service adjustments. She stated that staff will continue to refine the alternatives adding that the schedule includes November public outreach and passenger feedback, a public hearing on December 10, final Board decision on January 7, and February 28 implementation.

Mr. Jablonski stated that one-time dollars will have to be used to balance the fiscal year 2010 budget. He stated that to balance the remaining \$6 million deficit, the Budget Development Committee decided against raising fares. He stated that there is volatility relating to sales tax revenue and passenger revenue, and implementing the service changes in March rather than June would save money that could be used as a hedge going into fiscal year 2011. He stated that staff is seeking Board concurrence on the strategy proposed.

Members discussed the process required to have senior age limits raised and the reliance on SANDAG sales tax projections. Mr. Jablonski stated that staff feels that structural change is necessary instead of relying on one-time dollars to balance the budget.

In response to Ms. Boyak, Mr. Jablonski clarified that the fare adjustments being proposed include changing the senior eligibility age of full fare pass from age 60 to age 65 over a period of time. Ms. Boyak expressed her support of the service changes and urged the Budget Development Committee to be more aggressive due to the uncertainty of TDA funds.

Mr. Gloria recognized staff's efforts to avoid a fare increase stating that fare adjustments would be inappropriate at this time. In response to Mr. Gloria, Ms. Cooney stated that riders were asked about their pattern of need during the weekend service analysis, and those patterns were considered in the proposed service adjustments. She explained that various trips were considered to be discretionary. Mr. Gloria stated that he cannot support fare increases or reductions in service and does not want to have to consider service reductions annually. Mr. Rindone clarified that service adjustments are being considered rather than fare increases.

Mr. Jablonski stated that \$30 million has been lost in State Transit Assistance funds. He stated that we would not be where we are today if those dollars had not been lost. He added that he is having discussions with the California Transit Association (CTA) about the lawsuit it prevailed in against the state. He described other budget-saving measures including freezing staff wages

and a 20% reduction in management staff that have already taken place. He stated that the attempt has been to balance the budget with the least amount of impact to the public.

Mr. Mathis added that everyone on the Board would agree that it is not the desire to cut service, but the circumstances require making a business decision about solutions to continue to serve the greatest number of members of the public.

Mr. Gloria stated that he recognizes that tough decisions need to be made. He feels that the people that he represents rely on the system and discretionary trips are a part of their quality of life. He wants to be clear about his position on reducing weekend service.

Mr. Rindone encouraged members to submit any recommendations or alternatives that may differ from those of the Budget Development Committee.

Mr. McClellan encouraged raising the age of senior eligibility to the age of 66 or 67. In response, Mr. Mathis stated that other transit agencies in the state consider age 65 to be the age limit for the senior pass.

In response to Ms. Lightner, Ms. Cooney will look into why there are no outreach events planned at University Town Center. Ms. Lightner stated that the map showing discontinued routes needs to be more easy to read. Ms. Cooney stated that the Budget Development Committee has asked that the location of the houses of worship be looked at in relation to routes.

Ms. Bragg stated that the schedule is very aggressive and shared that she is concerned about the amount of public outreach. Ms. Cooney described the method of public outreach.

Mr. Ewin stated displeasure that the public outreach schedule does not give him enough time to get the word out. He asked if the changes would affect the lifeline services at all and stated that as long as he can remember, bus service ran all the way down University Avenue. He added that this could be a road map to developers defining where projects should be planned.

Mr. Roberts urged members to consider where the money is going to come from for the budget deficit and suggestions and recommendations are encouraged.

Mr. Ewin suggested that more than six days lead time be allowed for public input. He also suggested that the members go to Sacramento to confront the elected officials to let them know how transit is affected. He stated that this is a good lesson on controlling the baseline when times are good because you are forced to live with those decisions when times are tough.

Mr. Rindone requested that staff look for some outreach dates in early December.

Action Taken

Mr. Ovrum moved to receive the report, to provide direction consistent with staff's recommendation, and to encourage members to submit suggestions and recommendations to the Budget Development Committee prior to the December 10, 2009, public hearing and the January 7, 2010, Board meeting. Ms. Boyak seconded the motion, and the vote was 13 to 0 in favor.

3. Public Comment

Clive Richard: Mr. Richard acknowledged the prevailing lawsuit against the State of California. He stated that MTS's current situation is because of the economy and added that transit is last in line for funding. He stated his concern over using one-time funding for ongoing expenses. He stated that he is concerned about the lead time that has been given for the service adjustments as he feels that more time is needed for discussion.

Michel Anderson: Mr. Anderson stated that Michael Allen & Associates would like to alert the Board of the possibility of increasing advertising revenue. He added that of the 600 buses in the fleet, 225 have advertising leaving 60% without advertising. He stated that if advertising were to be allowed on the Series 300 and 400 buses (the red and white buses), the result would be that over 50% of the fleet would have advertising, and local advertisers would recognize the heavier exposure. He stated that schematics have been shared with staff. Mr. Rindone requested that staff provide a report at the next Budget Development Committee meeting.

4. Adjournment

The Finance Workshop adjourned at 10:55 a.m.

BOARD OF DIRECTORS MEETING

The Board meeting reconvened at 10:55 a.m.

1. Roll Call

2. Approval of Minutes of October 22, 2009

Mr. McClellan moved to approve the minutes of the October 22, 2009, MTS Board of Directors meeting. Mr. Ewin seconded the motion, and the vote was 12 to 0 in favor (Ms. Bragg abstained).

3. Public Comments

There were no public comments.

4. MTS: Appointment of Ad Hoc Nominating Committee for Recommending Appointments to MTS Committees for 2010 (Tiffany Lorenzen)

Mr. Rindone nominated Mr. Roberts, Mr. Selby, and Mr. Mathis to the Ad Hoc Nominating Committee. There were no nominations from the floor.

Mr. Rindone moved to accept the nominations. Ms. Bragg seconded the motion, and the vote was 13 to 0 in favor.

5. MTS: Nomination and Election of the MTS Chairperson (Tiffany Lorenzen)

Mr. Mathis excused himself from the meeting to comply with the state voting requirements. Mr. Rindone stated that this item is to consider the recommendation for chairmanship effective January 2010. Tiffany Lorenzen, MTS General Counsel, described the process for appointment of the chairperson. She stated the Executive Committee reviews and makes a recommendation to the Board whether to renominate the existing chairperson. The Executive Committee has

followed that process. The motion before the Board would be to reelect the existing chairperson.

Mr. McClellan moved to receive the recommendation from the Executive Committee for the nomination of Harry Mathis as the MTS Chairperson. Mr. Ovrum seconded the motion, and the vote was 12 to 0 in favor (the vote excluded Mr. Mathis).

CONSENT ITEMS

6. MTS: San Diego Trolley, Inc. Safety Process Audit Report
Action would receive an internal audit report on San Diego Trolley, Inc.'s (SDTI's) safety process.
7. MTS: Public Transportation Modernization, Improvement, and Service Enhancement Account Funding
Action would adopt Resolution No. 09-24 authorizing the CEO or his designee to submit allocation requests for interest earned from fiscal year 2007-2008 California Public Transportation Modernization, Improvement, and Service Enhancement Account-State Transit Assistance Agencies funding.
8. MTS: Semiannual Uniform Report of DBE Awards or Commitments and Payments
Action would receive the Semiannual Uniform Report of Disadvantaged Business Enterprise (DBE) Awards or Commitments and Payments.
9. MTS: San Diego Transit Corporation Warranty Process Audit Report
Action would receive an internal audit report on San Diego Transit Corporation's (SDTC's) warranty process.
10. MTS: Investment Report - September 2009
Action would receive a report for information.
11. MTS: Southland Transit, Inc. - Contract Option Year
Action would authorize the CEO to execute MTS Doc. No. B0449.2-06 for: (1) one 12-month option period for central minibus fixed-route services with Southland Transit, Inc. (Southland); and (2) one 12-month option period for Sorrento Valley Coaster Connection (SVCC) services with Southland.
12. MTS: Capital Improvement Project Grant Award
Action would approve the addition of Federal Grant No. CA-04-0145 to MTS Capital Improvement Program (CIP) 11239 (40-Foot Compressed Natural Gas Bus Procurement Project).
13. MTS: Investment Report - August 2009
Action would receive a report for information.
14. MTS: Transportation Development Act (TDA) Claim Amendment
Action would adopt Resolution Nos. 09-1, 09-2, and 09-3 approving the revised FY 2009 Transportation Development Act (TDA) Article 4.0, 4.5, and 8.0 claims.

Action on Consent Items

Mr. Van Deventer moved to approve Consent item Nos. 6-14. Mr. Ewin seconded the motion, and the vote was 13 to 0 in favor.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. None.

REPORT ITEMS

46. MTS: Fiscal Year 2009 Comprehensive Annual Financial Report (Cliff Telfer) (Taken Out of Order)

Linda Musengo stated that the Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2009 and 2008 has been presented to the Audit Oversight Committee, and the recommendation was that the CAFR be presented to the Board. Ms. Musengo introduced Ken Pun and Roma Layosa of Caporicci & Larson to give the highlights of the CAFR.

Mr. Pun, CPA with Caporicci & Larson (C&L), gave a PowerPoint presentation on the scope of work for the audit performed by C&L that included the audit of MTS's financial statements and the review of internal control policies and procedures.

Mr. Pun gave an overview of MTS's management responsibilities, C&L's responsibilities, and summary of C&L's audit approach, which included year-to-year comparisons of specific account balances. He stated that the assessment determined that MTS is a low-risk auditee, which means that there is no need to test a high number of transactions in order to determine that the numbers and disclosures are accurate.

Mr. Pun reviewed C&L's unqualified audit opinion stating that financial statements are fairly presented in all material respects, significant accounting policies have been consistently applied, estimates are reasonable, and disclosures are properly reflected in the financial statements.

Mr. Pun stated that the audit resulted in no disagreements with management, no material errors or irregularities were discovered, and no significant deficiencies or material weaknesses were determined. He provided a brief overview of the financial statement sections of the audit that included the introductory, financial, and statistical sections.

Mr. Pun stated that compared to last year, the balance sheet is consistent. As of June 30, 2009, MTS has approximately \$1.9 billion in total assets and \$2.74 billion in total liabilities with a net result of \$1.2 billion in net assets. He added that the total revenue is \$278 million and total operating expenses are \$296 million. He noted that there is an increase in the net assets of \$15 million.

Mr. Pun summarized statements of cash flow from operating activities, which were consistent with 2008. He reviewed cash flows from operating activities, noncapital financing activities, capital, related financing activities, and investing activities.

Mr. Pun reviewed the state financial and budget shortfall and subsequent events, including the stabilization of fuel prices, refinancing the variable rate pension obligation bonds (POBs), the State of California's budget, and evaluation of the fare and route structures. He stated that the state and financial budget shortfall has reduced or eliminated State Transit Assistance (STA) significantly, which could affect ongoing operations.

Mr. Pun reported on the pension plan schedule of funding progress for San Diego Trolley, Inc (SDTI) and San Diego Transit Corporation (SDTC) and concluded his report with a review of the new Governmental Accounting Standards Board (GASB) pronouncements. He noted that next year, GASB Statement No. 53 (Accounting and Financial Reporting for Derivative Instruments) will be required, which may have an impact on the MTS financial statement and will require more disclosure related to the CNG swap agreement.

Mr. Mathis, Mr. Roberts, and Mr. Falconer acknowledged the service of Ernie Ewin, Chairman of the Audit Oversight Committee.

Mr. Ewin asked Mr. Pun if there was any information requested from management that was not provided in conjunction with this CAFR; Mr. Pun responded that there was not.

Action Taken

Mr. Selby moved to receive the Fiscal Year 2009 CAFR. Mr. Roberts seconded the motion, and the vote was 13 to 0 in favor.

45. MTS: 2009 Taxicab Passenger Survey (John Scott) (Taken Out of Order)

John Scott, Taxicab Administration Manager, reported on the results of the 2009 Taxicab Passenger Study. He explained that the Taxicab Administration conducts these studies on a periodic basis, and the last studies were completed in 1994 and 1999. He stated that the purpose of the survey was to gather performance data regarding trip origins, destinations, distances, times and fares, and to profile passenger characteristics.

Tim McLarney, True North Research, gave a PowerPoint presentation that reviewed the results of the study beginning with the methodology. He stated that a total of 896 passengers were surveyed; 420 were residents of the county, and 476 were visitors. He reviewed how trips were initiated and reported that the average trip distance in the city was 4.6 miles with the vast majority of trips beginning and ending in downtown San Diego.

Mr. McLarney reviewed opinions of passengers who were asked to rate taxicab service in San Diego. He stated passengers were generally pleased with the various aspects of service—in particular, taxicab availability during the day, driver courtesy, and promptness of service. He stated that across the board, passengers are rating the taxicab industry in San Diego better than they were ten years ago.

Mr. McLarney reported that the taxicab industry is being viewed more favorably today, and 25.3% of the passengers rated service to be better than in other cities. He reported that the

most important aspects of taxicab service to the customer is ease of finding a taxicab on the street and prompt response to phone calls.

Mr. McLarney stated that 27.3% chose public transportation as their second choice of transportation if taxicabs were not available and 12% would have taken a personal vehicle if taxicabs were not available. He added that 44% have access to a vehicle compared to 29% who did not have a vehicle in the past study.

Mr. McLarney reported that from the customers' perspective, the industry's performance has improved overall—especially promptness of service, overall performance, and safety.

Mr. Scott reported that the study will be used as a regional tool to improve service and safety issues. Mr. Gloria added that the Taxicab Committee will be looking at the number of medallions that are issued, the standard rate of fare, and the distribution of service. Mr. McLarney reported that the average cost of a taxicab ride is \$14.

Action Taken

Mr. Gloria moved to receive the report and confirmed that the Taxicab Committee will be discussing the number of medallions, standard rates of fare, and distribution of service. Ms. Bragg seconded the motion, and the vote was 11 to 0 in favor.

47. MTS: Semiannual Security Report (January through June 2009) (Bill Burke)

This agenda item was trailed to the December 10, 2009, meeting.

48. MTS: Report on the Creation of a Central MTS Database and Reporting Tool (Devin Braun)

This agenda item was trailed to the December 10, 2009, meeting.

49. MTS: Operations Budget Status Report for September 2009 (Mike Thompson)

This report was waived.

Action Taken

Mr. Van Deventer moved to receive the report for information. Mr. Ewin seconded the motion, and the vote was 11 to 0 in favor.

60. Chairman's Report

Mr. Mathis thanked the Board for its confidence in his chairmanship and stated that he looks forward to serving in the next four years.

61. Audit Oversight Committee Chairman's Report

None.

62. Chief Executive Officer's Report

Mr. Jablonski reported that on October 27 and 28, 2009, he was in Pasadena with the California Transit Association. He also reported that there has been activity in the LOSSAN Corridor Board related to the creation of an MOU to hire consultants to improve the corridor between all of the partners from San Luis Obispo to San Diego. He stated that the MOU will come before this Board for approval. He stated that funding is still being worked out—possibly shared along the corridor.

63. Board Member Communications

Mr. Rindone described how LOSSAN was created and how it was extended to the six southern counties of California to coordinate heavy rail. He stated that currently funding is being sought for double tracking and to improve AMTRAK service. He added that LOSSAN will be involved in high-speed rail, heavy rail, and light rail.

64. Additional Public Comments Not on the Agenda

Clive Richard: Mr. Richard complimented San Diego Trolley for planning for the future. He stated that rail transit has done a great job of coordinating with SANDAG.

65. Next Meeting Date

The next regularly scheduled Board meeting is December 10, 2009.

66. Adjournment

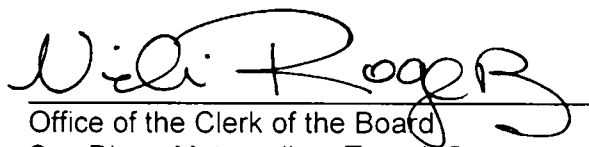
Chairman Mathis adjourned the meeting at 11:42 a.m.



Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:



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



Office of the General Counsel
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet

METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL

MEETING OF (DATE): 11-12-09

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

RECESS: -

RECONVENE: -

CLOSED SESSION: 9:03 a.m.

RECONVENE: 9:42 a.m.

PUBLIC HEARING: -

RECONVENE: -

ORDINANCES ADOPTED: -

ADJOURN: 11:20 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
BOYACK	<input checked="" type="checkbox"/> (Cunningham) <input type="checkbox"/>		11:26 a.m.
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		
FAULCONER	<input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>		11:29 a.m.
GLORIA	<input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>		
JANNEY	<input type="checkbox"/> (Bragg) <input checked="" type="checkbox"/>		
LIGHTNER	<input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCCLELLAN	<input checked="" type="checkbox"/> (Hanson-Cox) <input type="checkbox"/>		
OVROM	<input checked="" type="checkbox"/> (Denny) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (Castaneda) <input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
RYAN	<input type="checkbox"/> (B. Jones) <input type="checkbox"/>		
SELBY	<input checked="" type="checkbox"/> (England) <input type="checkbox"/>	9:04 during closed	
VAN DEVENTER	<input checked="" type="checkbox"/> (Zarate) <input type="checkbox"/>		
YOUNG	<input type="checkbox"/> (Emerald) <input type="checkbox"/>		

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD.

Vicki Rogers

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

[Signature]