

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

June 25, 2009

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:00 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Ewin moved to approve the minutes of the June 11, 2009, MTS Board of Directors meeting. Mr. McClellan seconded the motion, and the vote was 10 to 0 in favor.

3. Public Comments

There were no Public Comments

***** Coca-Cola

Chairman Mathis recognized Coca-Cola Company for presenting 40 outstanding high school seniors with laptop computers after being selected from 220 scholarship applicants. He reported that these students wrote papers on how public transportation could be used to reduce a person's carbon footprint. He added that the award ceremony was a tremendous success. Chairman Mathis briefly discussed the work done by Coca-Cola staff members Charles Simpson, Myra Arzate, Erica Alvarez, Julianna Pasos and Chad Christeson to put on this program. He read a plaque that was presented in recognition of those efforts. Mr. Simpson stated that Coca-Cola is very excited about its relationship with MTS and about using Coca Cola to get the word out about public transportation. He stated that it was truly an honor.

CONSENT ITEMS:

Chairman Mathis reported that Consent Agenda Item No. 6 would be trailed. In response to a question from Mr. McClellan regarding Consent Agenda Item No. 7, Mr. Paul Jablonski, MTS CEO, stated that once the building at the El Cajon Transit Center is turned over to the contractor, MTS will not be paying for the associated janitorial services. In response to a question from Ms. Lightner, Mr. Jablonski reported that the option year for Group II is not being exercised at this time because some of the work is now being done in-house, and it was felt that the remainder of the work can be bid out for a lower cost.

6. MTS: Proposed Policy No. 60 – Ticket Distribution (ADM 110.2)

Recommend that the Board of Directors adopt MTS Policy No. 60 regarding ticket distribution (Attachment A of the agenda item).

7. MTS: Aztec Janitorial Services – Exercise Option Year (OPS 960.6, 970.6)

Recommend that the Board of Directors authorize the CEO to execute MTS Doc. No. G1031.2-07 with Aztec Janitorial Services, Inc. for Group I Janitorial Services at MTS Bus Operations and Group III Transit Center Maintenance.

8. MTS: LRV Fleet Cleaning Services – Exercise Option Year One (OPS 970.6)

Recommend that the Board of Directors authorize the CEO to execute option year one of MTS Doc. No. L0782.0-07 with NMS Management, Inc. for light-rail vehicle fleet cleaning services.

9. MTS: Microsoft Licensing and Software Assurance Upgrade – Contract Award (OPS 960.2)

Recommend that the Board of Directors authorize the CEO to execute MTS Doc. No. G1252.0-09 (in substantially the same format as Attachment A of the agenda item) with Dell Marketing, L.P. for Microsoft's Licensing and Software Assurance Upgrade for a three-year period.

10. MTS: Proposed 2009/2010 Internal Audit Plan (LEG 492)

Recommend that the Board of Directors approve the internal audit plan (Attachment A of the agenda item).

Action on Recommended Consent Items

Mr. Gloria moved to approve Consent Agenda Item Nos. 7, 8, 9, and 10. Mr. McClellan seconded the motion, and the vote was 12 to 0 in favor. Consent Agenda Item No. 6 was trailed.

CLOSED SESSION:

24. Closed Session Items (ADM 122)

The Board convened to Closed Session at 9:10 a.m.

- a. MTS: CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code section 54956.9(a) Balfour Beatty/Ortiz v. Metropolitan Transit System (Superior Court Case No. GIC 868963)
- b. SDTI: CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6. Agency-Designated Representative – Jeff Stumbo. Employee Organization – International Brotherhood of Electrical Workers 465.

The Board reconvened to Open Session at 9:37 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Lorenzen reported the following:

- a. The Board received a report from General Counsel.
- b. The Board received a report from agency negotiators.

PUBLIC HEARING

25. There were no Public Hearings conducted.

DISCUSSION ITEMS:

30. MTS: Budget Development Committee Meeting Update (ADM 110.7)

Mr. Cliff Telfer, MTS Chief Financial Officer, introduced this item by reporting that certain assumptions were made during the development of the FY 2010 budget and some of those assumptions are no longer valid. He reported that this information was recently presented to the Budget Development Committee. Mr. Larry Marinesi, MTS Budget Manager, recapped budget adjustments and strategic initiatives that have been implemented over the last 24 months. He then reported that fare and advertising revenues have started to decline, and projections for sales tax revenues have been adjusted downward again. He also reported that diesel fuel prices are starting to increase. He provided specific statistical information on each of these items reporting that the net impact on the operating budget is projected to be between \$5.8 million to \$11 million. He reviewed the projections for fuel prices and added that MTS will be entering into compressed natural gas (CNG) financial hedge bidding before the end of the fiscal year.

Mr. Marinesi then detailed potential solutions that have been identified by staff and the Budget Development Committee to address the projected shortfall. He reviewed each of these options, which included the ongoing use of CNG fuel credits, the use of additional Transportation Development Act (TDA) funding for preventative maintenance purposes, service adjustments, and a shift of funding out of the capital project for the South Bay Maintenance Facility into the operating budget. He reported that potential solutions also include the use of American Recovery and Reinvestment Act (ARRA) funding (10 percent) for operations as just authorized by the President Obama, the use of reserves, and the swap of ARRA funding (for the Blue Line Rehabilitation Project) for TransNet funding, which can be used for operations. He also identified which of those were one-time options and which were recurring. He then reviewed the priorities assigned to these options by the Budget Development Committee.

In response to a question from Mr. Gloria, Mr. Jablonski reported that the swap of ARRA funding for TransNet funding will not negatively affect the Blue Line Rehabilitation Project. He added that MTS actually has an excess of funds available for this project. He also added that some other capital project may not get done because of this transfer of funding.

Mr. Jablonski advised the Board that the use of nonrecurring revenues is being recommended because it is hoped that the economy will rebound soon and these revenues would therefore not be needed in subsequent years to balance the budget. He added that staff will not take any action until September and will be monitoring these cost and revenue factors and make adjustments as needed. He stated that if the 10 percent of ARRA funding for operations is not needed, it can be returned to the capital program.

Mr. Rindone, Chairman of the Budget Development Committee, reported that fare adjustments were not considered because fare increases have already been implemented, and, given the current economy, it was felt that fare increases would not be appropriate.

In response to a question from Mr. Ewin, Mr. Marinesi explained that the expense side of MTS's budget for FY 2010 reflects a minor increase of 0.6 percent. Mr. Jablonski stated that operating expenses will probably come in under budget as was the case with the previous year. He

added that MTS continues to cut expenses where it can and added that efforts are underway to streamline service also.

In response to a question from Ms. Boyack, Mr. Jablonski stated that it is hoped that the 10 percent ARRA funding will be the only funding option that will need to be exercised. He reported that staff would return to the Budget Development Committee and the Board before using funding from other nonrecurring funding sources. He also stated that if the economic downturn continues for an even longer period, MTS will have to focus more on the recurring funding sources to cover its shortfalls. Mr. Jablonski explained that staff would prefer not to use additional TDA funding for maintenance purposes because there would be only \$17 million left for capital purposes.

Mr. Gloria advised the Board that SANDAG is currently taking public comment as part of its Transit Impediment Study, which details a number of recurring funding sources. He stated that he thought the public comment portion of the study concludes Friday, June 26. He stated that this provides a good opportunity for Board members to express their opinions about recurring funding sources.

In response to a question from Mr. Cox regarding the spike in advertising in June of 2008, Mr. Marinesi reported that Washington Mutual purchased a significant number of wrap advertisements during that month. He stated that it did not involve prepaid advertising.

Action Taken

Mr. McClellan moved to receive a report for information. Mr. Ewin seconded the motion, and the vote was 12 to 0 in favor.

REPORT ITEMS:

45. MTS: Operations Budget Status Report for April 2009 (FIN 310.2)

Mr. Mike Thompson, MTS Assistant Budget Manager, provided the Board with a financial review through April 2009. He reported a decrease in operating revenues compared to budget and added that, while fare revenue is decreasing, the average fare is holding level. He reported that expenses are under budget by \$1,463,000 or 0.9 percent primarily due to lower energy costs. He stated that revenue less expenses is favorable by \$437,000.

Action Taken

Mr. Rindone moved to receive a report on MTS operations budget status for April 2009. Ms. Boyack seconded the motion, and the vote was 12 to 0 in favor.

60. Chairman's Report

Chairman Mathis reported that he recently attended that APTA Rail Conference in Chicago where there was much discussion about rail new starts and how they are becoming more feasible. He stated that he also visited Kenosha, Wisconsin, where there is a vintage rail line in operation using PCC cars. He stated that it has been receiving national recognition. He also reported that, in the past, conference attendees were provided with free transit passes but that everyone had to pay for their passes in Chicago.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin stated that the next Audit Oversight Committee meeting would be held on July 9, 2009.

62. Chief Executive Officer's Report

Mr. Jablonski reported that he also attended the APTA Rail Conference. He reported that he listened to remarks made by the new Federal Transit Administration (FTA) Administrator, Peter Rogoff, and felt that he would be a good addition to the FTA. He stated that Mr. Rogoff has much experience with the funding of public transportation.

He also reported that there was a lot of discussion of economic stimulus funding and infrastructure issues. He stated that the FTA is calling this issue State of Good Repair. He added that MTS has been invited to Washington, D.C. to participate with the FTA and other organizations regarding this issue. He reported that there are seven historic systems in the country that are making strong arguments for a substantial increase in rail modernization funding and they present a significant lobbying force. He stated that MTS is attending the meeting to ensure it continues to receive funding from this program. He added that there were interesting discussions regarding rail-car technology and high-speed rail during the conference as well.

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, July 16, 2009.

66. Adjournment

Chairman Mathis adjourned the meeting at 10:16 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

**METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL**

MEETING OF (DATE): 6/25/09

CALL TO ORDER (TIME): 9:00 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:10 a.m.

RECONVENE: 9:37 a.m.

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 10:16 a.m.

| BOARD MEMBER | (Alternate) | PRESENT (TIME ARRIVED) | ABSENT (TIME LEFT) |
|--------------|---|-----------------------------|-------------------------------------|
| BOYACK | <input checked="" type="checkbox"/> (Cunningham) <input type="checkbox"/> | | |
| EWIN | <input checked="" type="checkbox"/> (Allan) <input type="checkbox"/> | | |
| FAULCONER | <input type="checkbox"/> (Emerald) <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| GLORIA | <input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/> | | |
| JANNEY | <input checked="" type="checkbox"/> (Bragg) <input 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"/> (Woiwode) <input type="checkbox"/> | | |
| RINDONE | <input checked="" type="checkbox"/> (Castaneda) <input type="checkbox"/> | | |
| ROBERTS | <input type="checkbox"/> (Cox) <input checked="" type="checkbox"/> | 9:06 a.m. during Consent | |
| RYAN | <input type="checkbox"/> (B. Jones) <input checked="" type="checkbox"/> | 9:06 a.m. during Consent | |
| SELBY | <input checked="" type="checkbox"/> (England) <input type="checkbox"/> | | |
| YOUNG | <input type="checkbox"/> (Emerald) <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| ZARATE | <input type="checkbox"/> (Parra) <input type="checkbox"/> | | <input checked="" type="checkbox"/> |

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

Gail Williams

Jeff [Signature]