

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

October 14, 2010

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 September 23, 2010, MTS Board of Directors meeting. Mr. Van Deventer seconded the motion, and the vote was 12 to 0 in favor.

3. Public Comments

Virginia Conway – Ms. Conway wanted to know what entity was responsible for cleaning the transit stops. She commented that the Euclid Avenue stop was particularly grimy, and she would like someone to look into cleaning the sidewalks.

Mr. Jablonski commented that he will have the shelter contractor look at the locations to be cleaned if Ms. Conway can provide them.

Clive Richard – Mr. Richard commented that before the Americans with Disabilities Act was recognized, the disabled community had a difficult time getting hired and getting to their place of work. He mentioned that he is proud of how far transit has come in accommodating the disabled. He congratulated MTS on moving to low-floor vehicles.

CONSENT ITEMS:

6. MTS: Investment Report - August 2010

Action would receive a report for information.

7. MTS: Uniform Service - Contract Award

Action would authorize the CEO to execute MTS Doc. No. G1322.0-10 for a five-year contract with Cintas Corporation for uniform services.

8. MTS: Southland Transit, Inc. - Contract Carryover Term

Action would authorize the CEO to execute MTS Doc. No. B0449.3-06 for: (1) one 5-month and 11-day carryover term for central minibus fixed-route services with Southland

Transit, Inc. (Southland); and (2) one 5-month and 11-day carryover term for Sorrento Valley Coaster Connection (SVCC) services with Southland.

9. MTS: Liability Claims Analysis Report

Action would receive the Liability Claims Analysis Report for MTS, San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI).

10. MTS: High-Voltage Breaker Replacement Project - Fund Transfer

Action would forward a request to the San Diego Association of Governments (SANDAG) Board of Directors to transfer funds from the Substation Standardization Project (CIP 1142100) to the High-Voltage Breaker Replacement Project (CIP 1128000) as shown in the Fund Transfer Summary.

Action on Recommended Consent Items

Mr. Ovrom moved to approve Consent Agenda Items 6, 7, 8, 9, and 10. Mr. Rindone seconded the motion, and the vote was 13 to 0 in favor.

CLOSED SESSION:

24. Closed Session Items

The Board convened to Closed Session at 9:09 a.m.

- a. MTS: CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a) Metropolitan Transit System v. San Diego State University (Case No. 37-2007-00083692-CU-WM-CTL)
- b. MTS: CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8;
Properties: 7490 and 7550 Copley Park Place, San Diego, California (Assessor Parcel Nos. 356-410-08 and 356-410-09);
Agency Negotiators: Tiffany Lorenzen, General Counsel; and Tim Allison, Manager of Real Estate Assets;
Negotiating Parties: RV Investment CA, LLC, RV Investment CA, LLC II;
Under Negotiation: Price and Terms of Payment
- c. SDTC: CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6;
Agency-Designated Representative: Jeff Stumbo;
Employee Organization: International Brotherhood of Electrical Workers, Local Union No. 465

The Board reconvened to open session at 10:21 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Lorenzen reported the following:

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

NOTICED PUBLIC HEARINGS:

25. None.

DISCUSSION ITEMS:

30. SDTC: Retirement Plan Actuarial Review and Analysis

Mr. Cliff Telfer, Chief Financial Officer, provided a brief overview of the SDTC Retirement Plan Actuarial Report. He introduced Mr. Bob McCrory, a Financial Services Advisor for EFI Actuaries. Mr. McCrory discussed the findings of the Actuarial Review and Analysis as of July 1, 2009. He talked about the current plan, projections of future costs and funding, as well as the history of plan membership which has changed over the years. He explained that current plan costs have risen from 15.8% to 22.7%, which is a large increase and occurred because of the movement of people in and out of the plan. He further explained that inflation was lower than expected causing salary increases to be lower than expected, which produced a change in cost. He also stated that new members coming into the plan were younger and further away from retirement. Mr. McCrory explained that what really made a difference in the plan costs were investment gains and losses. He went on to explain that MTS lost 18% over a 12-month period, and assumptions were at an 8% earning, which had a big impact. He claims similar plans went through the same thing showing that the trend was not unusual.

Mr. McCrory discussed the history of the funded ratio of the plan. He explained that actuarial value sets an asset target in order to fund retirement over the workers. He stated that the funded ratio is at 71.4%, which is typical of public-funded markets, and assets are 59.5% of target at market value. He explained further that the funded ratio would have to be 58.8% just to meet inactive liability, which means that the company has the inactive liabilities covered but has not set anything aside for the active members in the plan. Mr. McCrory stated that MTS is behind on the funding pool and needs to catch up. He feels that 2/3 of the cost of the plan needs to be devoted to catching up, but also feels that it is not something to panic over.

Mr. McCrory showed the Board a graphical comparison of other public plans and stated that MTS is in the middle of the pack revealing that every other plan is facing a similar problem. He summarized projections for the future showing four more years of absorbing a loss; however, once the loss is amortized, the cost of the plan is expected to return to normal. He stated that the 2009-2010 fiscal year cost return is close to 13.5% and discussed different scenarios to view the long-term costs.

Mr. Ewin stated concern that the last couple of years will be cyclical and the company will be hit with low returns. He is conscious that employees in the working pool are keeping the already-retired contribution going. He asked for clarification on the minimum rate of return to cover the plan. Mr. McCrory stated that 8% or above on a consistent basis is needed to get there and stay there. He then stated the reality is that losses and gains are going to have to be

compounded. He explained that the history of membership shows the number of active members is decreasing, which means that the plan is funding retired members with a smaller active workforce that is aging, and new hires are roughly 5-10 years older than they used to be, which is important because they will pay into the plan for a lesser amount of time.

Mr. Young wanted clarification on what an approximate rate of return should be when looking at a 10-year period. Mr. McCrory responded with a ballpark rate of 7% net of expenses. He explained that the Governmental Accounting Standards Board (GASB) is changing its views on proposed account standards and that preliminary analysis will require unfunded liability to be reported on balance sheets. Overall, the rules that govern pension expenses will become tighter.

Action Taken

Mr. Roberts moved to adopt an actuarial contribution rate of 22.708% for San Diego Transit Corporation's (SDTC's) retirement plan for fiscal year 2011. Mr. Young seconded the motion, and the vote was 13 to 0 in favor.

REPORT ITEMS:

45. SDTC: Pension Investment Status

Mr. Telfer introduced Mr. Jeremy Miller with RVKuhns & Associates, Inc. who presented to the Board a report on pension investments for the June 30, 2009, fiscal year. Mr. Miller explained that the investment market environment in 2009 was extremely unusual and that RVKuhns & Associates took unusual actions to deal with the situation. He gave a brief history of the Standard & Poor's (S&P) 500 top 40 worst quarters since 1926, and stated that the 2009 second quarter return was 15.93% ranking at the 6th percentile. He stated that his company has recommended maintaining a long-term focus and recommends staying diversified with a disciplined approach.

Mr. Miller discussed slide 1 of the June 30, 2009, Return Report and mentioned that the SDTC Employees Retirement Plan Schedule of Investable Assets shows an ending market value of \$121,492,227. He then discussed the plan's performance for the year ending June 30, 2010, and stated the plan's assets increased by a net of \$9,010,472 and includes investment returns of \$16,530,040 less the plan's net payouts for benefits and expenses of \$7,519,568. He stated that for the year, the plan had an investment return of 13.5% and, over the long run, the portfolio has done extremely well.

Mr. Ewin expressed concern that MTS has the amount needed to at least cover payments to retirees. He felt that because the plan will be dependent on returns for a period of time, it might be necessary to change risk requirements to ensure cash flow. Mr. Miller responded by stating that risk factors can be changed, and the goal is to make sure assets grow enough to cover inflation growth and that diversification of assets is considered while looking at the long-run perspective.

Ms. Emerald wanted to make sure that diversification of assets is the goal moving forward. Mr. Miller assured her that over the last year, the goal has been focusing on a more diversified portfolio and, going forward.

Action Taken

Mr. Ewin moved to receive a report for information. Ms. Hanson-Cox seconded the motion, and the vote was 11 to 0 in favor.

46. MTS: Annual Service Performance Monitoring Report

Mr. Devin Braun, Senior Transportation Planner, provided the Board a report on annual service performance monitoring according to Board Policy 42. He stated that fiscal year 2010 was the second year in which the system operated under the results of the Comprehensive Operational Analysis (COA). He also stated that there were service adjustments in FY 2010 due to budget constraints, which did impact some of the data in the report.

Ms. Sharon Cooney, Director of Government Affairs and Interim Director of Planning, explained that system-wide ridership has been declining with ridership decreasing 10.1% between fiscal year 2009 and fiscal year 2010. She stated that the decrease in ridership is largely due to the state of the economy. She mentioned the largest percentage decrease was in circular routes due to a 27.2% decrease in revenue hours. She explained that the largest decrease in terms of the number of passengers was on the trolley. Ms. Cooney went on to explain that MTS is currently installing Automatic Passenger Counters on 65 trolley cars, which should provide better ridership figures for the next reporting period.

Mr. Braun stated that the average weekday ridership decreased 8.9% with the greatest decrease in bus ridership occurring in the urban frequent category. He explained that there has been a 10.9% decline in express routes, which are most likely attributed to the unemployment rate and furlough days. He then explained that passengers per in-service hours for the system declined by 4.9% from 43.5 to 41.4, which is an industry standard for assessing service productivity and includes hours of operation solely dedicated to transporting passengers and does not include recovery time.

Mr. Braun discussed the on-time performance which is calculated as departing within 5 minutes of the scheduled time with 85% for urban frequent and 90% for all other routes. He explained that MTS's system-wide on-time performance has been consistent from service change to service change and varies slightly when summer service begins. He then stated the mean distance between failures of transit vehicles have increased to 42.1% from 32.4% mostly due to retiring 73 high-floor buses and replacing them with newer low-floor busses.

Mr. Braun stated that complaints per 100,000 passengers are down for bus service but have increased for rail due to a new tracking system and that complaints were mainly regarding Sunday service cuts. He stated that overall system-wide subsidy per passenger is 11.8%, which is an increase most likely due to decreases in estimated ridership on the trolley and increased costs to operate the trolley.

Mr. Ewin and Ms. Lightner requested staff provide a comparison between fiscal year 2009 and fiscal year 2010 data. Mr. Braun will combine the data and provide the comparison as requested.

Action Taken

Ms. Lightner moved to receive a report for information. Mr. Ewin seconded the motion, and the vote was 10 to 0 in favor.

47. MTS: Operations Budget Status Report for August 2010 (Mike Thompson)

Mr. Mike Thompson, Assistant Budget Manager, presented to the Board an Operations Budget Status Report for August 2010. He explained that the year-to-date August 2010 MTS net-operating subsidy unfavorable variance totaled \$380,000 or (-2%). He stated that operations produced a \$418,000 or (-2.2%) unfavorable variance, and the administrative and other activities areas were favorable by \$38,000.

Mr. Thompson explained that the combined revenues through August 2010 were \$16,629,000 compared to the year-to-date budget of \$16,720,000, which represents a \$91,000 negative variance. He then explained that the combined expenses through August 2010 were \$35,791,000 compared to the year-to-date budget of \$35,502,000, which results in a \$290,000 unfavorable variance. Mr. Thompson provided a year-to-date summary stating that the net-operating totaled an unfavorable variance of \$380,000, which includes passenger revenue, materials and supplies, and risk management offset by unfavorable variances in other operating revenue, personnel costs, and outside services.

Action Taken

Mr. Ewin moved to receive the MTS operations budget status report for August 2010. Mr. Rindone seconded the motion, and the vote was 10 to 0 in favor.

60. Chairman's Report

Chairman Mathis mentioned that he attended the American Public Transportation Association Annual Conference in San Antonio, Texas, earlier in the month. During the conference, there was a great deal of speculation regarding the upcoming elections, and an expert from Washington came to talk to their group whom predicted a shift in the House and a narrowing gap in the Senate with Republicans picking up a number of seats.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin reported that an Audit Oversight Committee meeting will be held on October 21, 2010.

62. Chief Executive Officer's Report

Mr. Jablonski mentioned that he had visited Washington, D.C. for a series of meetings with the Federal Transit Administration regarding the Mid-Coast project. He attended the APTA Annual Conference with Chairman Mathis in San Antonio, Texas, and he was in Ontario, California, for a California Transit Association meeting last week. He mentioned that along with Wayne Terry, Chief Operating Officer of Rail, he participated in a peer review in Cincinnati (at their expense) to help start rail transit. He also stated that he has been nominated to the APTA Board of Directors again this year.

63. Board Member Communications

Mr. Roberts reported that he, along with Mr. Jablonski, was in Washington, D.C. a couple weeks ago for several meetings relative to the Mid-Coast project. He mentioned that everyone from the Federal Transportation Administrator's office was very positive regarding the project, and he repeatedly made our case for the \$600 million in federal funds. He feels that San Diego is looking good compared to the competition for the same funds.

64. Additional Public Comments on Items Not on the Agenda

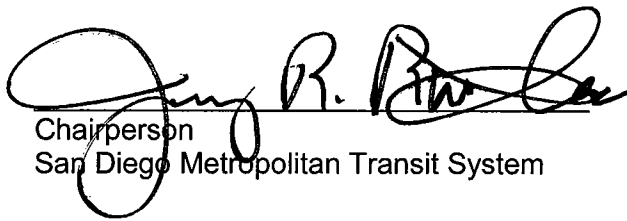
There were no additional public comments.

65. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, October 28, 2010.


66. Adjournment

Chairman Mathis adjourned the meeting at 11:50 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: Roll Call Sheet

METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL

MEETING OF (DATE): 10/14/10

CALL TO ORDER (TIME): 9:00 AM

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:09 AM

RECONVENE: 10:21 AM

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 11:50 AM

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
CUNNINGHAM	<input checked="" type="checkbox"/> (Boyack) <input type="checkbox"/>	9:03 AM	11:11 AM
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		
EMERALD	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		
GLORIA	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		
JANNEY	<input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/>		11:35 AM
LIGHTNER	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCCLELLAN	<input type="checkbox"/> (Hanson-Cox) <input checked="" type="checkbox"/>		
OVROM	<input checked="" type="checkbox"/> (Denny) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (Castaneda) <input type="checkbox"/>	9:07 AM	
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"/>		
VAN DEVENTER	<input checked="" type="checkbox"/> (Zarate) <input type="checkbox"/>		10:47 AM
YOUNG	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:09 AM	11:02 AM

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD: Valerie Vizkeleti

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: [Signature]