

EXECUTIVE COMMITTEE MEETING

for the

Metropolitan Transit System (MTS),
San Diego Transit Corporation (SDTC), and
San Diego Trolley, Inc. (SDTI)
(1255 Imperial Avenue, Suite 1000, San Diego, CA)

MINUTES

October 7, 2010

A. ROLL CALL

Chairman Mathis called the meeting to order at 9:03 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Rindone moved approval of the minutes of the September 9, 2010, Executive Committee meeting. Ms. Lightner seconded the motion, and the vote was 3 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. MTS: Update on Murphy Canyon Express Bus Pilot Project (Sharon Cooney)

Sharon Cooney, Director of Government Affairs and Director of Planning, reported that MTS has been working with the United States Navy and SANDAG as part of the transportation demand-management initiative to develop a cost- neutral express bus service between the Navy's Murphy Canyon Housing Complex, the community of Tierrasanta, and San Diego Naval Base.

Ms. Cooney reviewed the details of the Murphy Canyon Express Pilot Project. She stated that some of the main concerns are the security protocols and all personnel needing to be cleared through the Navy to access the base. She reviewed the refined base alignment to remain on the base's main arterial street, 10- to 15-minute travel times and 1/4 –mile maximum walk.

Ms. Cooney reported that there are 3,251 commuters to the Naval Base from Murphy Canyon. She stated that there is a market for this route, and in conjunction with SANDAG and the personnel on base, MTS has outreached to the Murphy Canyon housing complex. She reported that there are 116 Transportation Incentive Program (TIPS) subscribers signed up which will generate 139,000 in fare revenue and a \$1.70 subsidy per trip per year.

The Committee expressed concerns in regards to SANDAG subsidizing the program, starting the service in November, and marketing the pilot. Mr. Jablonski explained that SANDAG has agreed to subsidize the pilot for one year because SANDAG did not get the number of participants needed to fund the service. He

stated that a public hearing will be required in order to cancel the pilot. He also recommended getting the pilot started as early as possible. He feels that participants might lose interest if we wait until January 2011. He also reported that MTS and the Navy have done marketing for three months.

Navy Captain Ricky Williamson stated that the Navy has had about 4 to 5 outreach events with military spouses and contractors. He also stated that 61 ships will be at port during the holiday season. He added that timing is key and he will continue to outreach the program.

Mr. Roberts stated that there is no subsidy budgeted for the next year and whether SANDAG will fund the service next year, will be determined by the performance of the pilot.

Ms Lightner and Mr. Rindone both agree to start the project in November. Chairman Mathis requested that staff provide a quarterly review.

Mr. Jablonski further explained that there is explicit language in the MOU with SANDAG regarding the one-year subsidy.

Action Taken

Mr. Roberts moved to receive a report for information and move forward with the pilot in November. Mr. Rindone seconded the motion, and the vote was 4 to 0 in favor.

2. MTS: Naming Rights (Rob Schupp)

Mr. Jablonski briefly introduced Mr. Myles Gallagher, President of The Superlative Group, Inc based in Cleveland, OH. Mr. Gallagher is present today to provide the general values of naming rights on the specific lines of the trolley system.

Mr. Gallagher gave a PowerPoint presentation covering MTS naming rights and sponsorship feasibility. He provided an overview of the company, system-wide valuation, media exposure value, and value of other benefits. He discussed the annual face value of sponsorship benefits for each trolley line; Green Line benefit amount of \$1,703,037, Blue Line benefit amount of \$2,609,507, and the Orange Line benefit of \$1,654,557. He briefly pointed out several transit agencies that are benchmarks with the same targets as the Green, Blue, and Orange Lines which suggest that these numbers are realistic.

Mr. Gallagher described the station specific valuations. He stated that there are three categories of station specific valuation as follows:

| | |
|---|--------------------|
| Group One – Four stations valued between | \$70,000-\$100,000 |
| Group Two – Twenty-five stations valued between | \$40,000-\$70,000 |
| Group Three – Thirty-five stations valued between | \$24,500-\$40,000 |

Mr. Gallagher listed several transit agencies that are benchmarking at the value of the three trolley lines which suggest that \$42,000 is an average value. He provided specific pricing options and station specific valuation.

Chairman Mathis showed concern regarding naming rights identifying station location. He stated that he wants to make sure we are not losing the station name and location.

Mr. Gallagher clarified that the stations are bidirectional by their nature which means locations are kept so people know where they are. He pointed out for example the PNC station on the HealthLine, in Greater Cleveland Regional Transit Authority. He also explained that they call it underwriting not station advertising.

Ms. Lightner expressed concerns in regards to calling it underwriting. She questioned if these funds would only be used for operations and maintenance, and if we are underwriting or advertising at our stations are there implications if we pay maintenance with those funds or any requirements that the funds be spent on that station location. Mr. Roberts echoed the comment of Ms. Lightner concerning restrictions in funding. Ms. Tiffany Lorenzen, General Counsel clarified that local funds have total flexibility. Chairman Mathis further clarified that the funds flow to the general funds and stations are maintained as they are normally. Mr. Jablonski expressed that the plan is to generate ongoing revenue.

In response to a question from Mr. Rindone, Mr. Gallagher stated that MTS approves who and what is advertised. Tiffany also stated that MTS has a policy for advertising.

Mr. Jablonski pointed out this a good time to implement naming rights. Mr. Gallagher stated that the timing is perfect and the background work has already been done.

Mr. Roberts expressed concerns regarding corporate ethics and whether the contracts will have an Enron Clause. Mr. Gallagher stated that MTS will include a corporate governance clause in the contracts.

Mr. Rindone commented about commission. Mr. Jablonski explained that it is complex, there are upfront monies, and the first deal pays off all initial expenses. Mr. Gallagher stated that commissions are based on sales that The Superlative Group, Inc. brings in and then graduated depending upon the amount of sales.

Mr. Roberts thanked Mr. Gallagher for the great report he provided.

Action Taken

Mr. Rindone moved to receive a report on MTS's naming rights program. Mr. Roberts seconded the motion, and the vote was 4 to 0 in favor.

3. SDTC: Retirement Plan Actuarial Review and Analysis (Cliff Telfer)

Cliff Telfer, Chief Executive Officer gave a brief overview of the annual actuarial valuation. He stated that we have an annual actuarial evaluation to set the amount MTS contributes into payroll and certain items are taken from the actuarial report and used for financial reports. He also added that this has been presented to the Budget Development Committee because it will have budget impact of 22% or roughly \$1.7 million. Mr. Telfer introduced Bob McCrory, FSA with EFI Actuaries.

Mr. McCrory gave a PowerPoint presentation of the actuarial review and analysis from July 1, 2009. He reviewed the current plan, history of plan cost, current plan cost, history of funded ratio, funded ratio, funded ratio misconceptions, and comparison with other plans.

He stated that the way actuarial funding works is that every year MTS pays for the cost of the benefits as it is earned, called the normal cost, then there is an amortization part where MTS makes up the difference between where assets are and where assets should be.

Mr. McCrory presented an interactive tool to assume projected plan cost. Plan cost is contributions plus returns equals benefits plus expenses. He also provided the history of annual returns, history of cumulative average returns, and 30-year cumulative average returns. He stated that the 8% plan cost is reasonable based on the historical record. He also reviewed projects for next year and the Governmental Accounting Standards Board (GASB) preliminary views.

Mr. Jablonski stated that projected plan cost of 8% should be our target every year for the next five years.

Action Taken

Ms. Lightner moved to forward a recommendation to the MTS Board of Directors to adopt an actuarial contribution rate of 22.708% for San Diego Transit Corporation's (SDTC's) retirement plan for fiscal year 2011. Mr. Roberts seconded the motion, and the vote was 4 to 0 in favor.

4. 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 465

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, MTS General Counsel, reported the following:

The Board received a report and gave direction to the agency negotiators.

D. REVIEW OF DRAFT OCTOBER 14, 2010, BOARD AGENDA

Recommended 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 minibuss 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).

Recommended Consent Items

There was no discussion regarding Consent Items.

Recommended Board Discussion Items

Item 31 was pulled from the agenda.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

Ms. Sharon Cooney reported that there is no Transportation meeting this Friday.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

Mr. Roberts was in Washington, D. C. and had several meetings relative to the Mid-Coast project. He mentioned that everyone from the Transportation Administrator's office was very positive regarding the project.

Mr. Jablonski attended the American Public Transportation Association annual meeting in San Antonio Texas. He mentioned that they also had positive remarks regarding the Mid-Coast project.

Mr. Jablonski also mentioned that MTS will be receiving \$3,000,000 in grants money from the Federal Discretionary Grant Program.

Mr. Rindone mentioned that he just returned from Europe and he was very impressed with the video advertising they have. Mr. Jablonski said that we had a contract with TTN about three to four years ago and the company went bankrupt. Mr. Rindone requested that staff look into video advertising.

G. PUBLIC COMMENTS

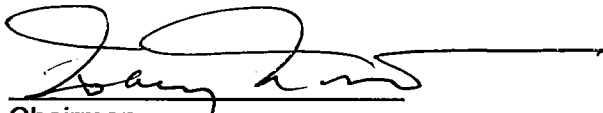
There were no public comments.

H. NEXT MEETING DATE

The next meeting is scheduled for Thursday, October 21, 2010, at 9:00 a.m. in the Executive Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 11:28 a.m.


Chairman

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Attachment: A. Roll Call Sheet

**EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) October 7, 2010

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

RECESS _____

RECONVENE _____

CLOSED SESSION 926

RECONVENE 1004

ADJOURN 1128

| BOARD MEMBER (Alternate) | PRESENT (TIME ARRIVED) | ABSENT (TIME LEFT) |
|---|---------------------------|-----------------------|
| LIGHTNER <input checked="" type="checkbox"/> (Young) <input type="checkbox"/> | | |
| MATHIS <input checked="" type="checkbox"/> | | |
| Imperial Beach Rotated to Chula Vista | | |
| RINDONE (VC) <input checked="" type="checkbox"/> (Young - CPT) <input type="checkbox"/> | | |
| ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/> | 9:10 | |
| SELBY <input type="checkbox"/> (Ryan) <input type="checkbox"/> | | |
| Transportation Committee Rep Slot (Mathis) | | |

SIGNED BY OFFICE OF THE CLERK OF THE BOARD:

Catherine A. Brown

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

[Signature]