

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

MINUTES

May 20, 2010

MTS
1255 Imperial Avenue, Suite 1000, San Diego

A. ROLL CALL

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

B. APPROVAL OF MINUTES

Mr. Roberts moved for approval of the minutes of the May 6, 2010, MTS Executive Committee meeting. Mr. Selby seconded the motion, and the vote was 4 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. MTS: Trolley Rehabilitation Project Update (Wayne Terry and John Haggerty of SANDAG)

John Haggerty of San Diego Association of Governments (SANDAG) gave the Executive Committee an update on the proposed Green Line extension stations as well as proposed station upgrades for the Blue Line. Stations south of Old Town to the 12th & Imperial Transit Center will be extended and modified.

The design elements of the proposed stations take into account the architectural elements in the station's vicinity. The proposed stations from Washington to County Center/Little Italy include architectural features that mirror existing buildings in the area, such as refined concrete columns and a sleek and modern vaulted cantilever. The proposed Seaport Village station has a sleek rustic black beam supporting a modern vaulted metal shelter. The Convention Center station proposes to use the existing theme of the Convention Center itself using the same design elements and materials. The Gaslamp station modification has a unique and rustic look to it with a decorative cantilever and filigree work to mirror the design features of the existing Gaslamp signage located above Fifth Avenue. The 12th & Imperial Transit Center will utilize the grey and red color scheme that is used in the area with a modern yet rustic design element. The station name signage will be consistent at each station and will be easy to see so that those who are not familiar with the area will be able to locate their desired stop. A summary of Green Line extension costs show the stations ranging from \$66,000 to \$124,000.

Mr. Haggerty provided an update on the Blue Line station design approach. Stations from Barrio Logan and south to Beyer Boulevard will be updated. Light rail transit stations will undergo a uniform design and will include standard elements; site furnishings, lighting, wayfinding, landscape palette, shelters, and platform pavement.

Two different design concepts (Concept A and Concept B) for the new transit center shelters, accommodating busses on one side of the shelter and light rail vehicles on the other side of the shelter, were proposed to the Executive Committee. Design Concept A has a split-shelter roof equally exposed. Design Concept B has a split roof with one level slightly elevated; however, this roof split could pose more maintenance issues. The notion behind both design concepts is to give the station platform an open feeling while providing patrons shade and shelter from the elements. The Executive Committee gave its consensus for design Concept B.

Mr. Jablonski commented that he would like the Executive Committee to provide feedback so that the design team could move forward on to the final design phase. He mentioned that in the past, the Executive Committee has provided great input in the designing of stations and would like that tradition to continue with the Green and Blue Line station designs.

Mr. Roberts expressed his preference for the open station concept and feels that it is a good design because customers' visibility has been taken into consideration. He mentioned that psychologically, customers will feel more secure because they can see their surroundings without blockage. He likes the Gaslamp station design because it seems to fit in well with the existing character. Mr. Roberts also feels that the station signage will make the stop readily identifiable to riders. Mr. Roberts did comment that the proposed Seaport Village station could make more of a statement. The design left something to be desired, and he felt that more could be done to play off the features of the area, such as a nautical theme.

Mr. Rindone commented that he appreciates staff's attention to the signage and feels that three signs at each station should function well for our visiting patrons. He mentioned that the design team was very attentive at applying input previously given by the Executive Committee.

Action Taken

No action was taken. The Trolley Rehabilitation Project will be presented to the full Board at the next Board meeting scheduled for May 27, 2010.

D. REVIEW OF DRAFT MAY 27, 2010, JOINT BOARD AGENDA (Taken Out of Order)

Recommended Consent Items

6. MTS: Radio Communication Support Services - Contract Award
Action would authorize the CEO to execute MTS Doc. No. L0947.0-10 with Day Wireless Systems for radio communication support services for a five-year period.

7. MTS: Investment Report - March 2010
Action would receive a report for information.
8. MTS: Motorola Regional Transit Management System - Contract Amendment
Action would: (1) ratify MTS Doc. No. G0867.9-03 with Motorola as executed by the CEO at a cost of \$25,466.51; (2) authorize the CEO to execute MTS Doc. No. G0867.10-03 to the Motorola Regional Transit Management System (RTMS) contract to fund the Service Support Agreement; and (3) authorize the CEO to execute MTS Doc. No. G0868.5-03 with North County Transit District (NCTD) for a Fund Transfer Agreement.
9. SDTC: Leased Bus Tires and Related Services - Contract Award
Action would authorize the CEO to execute MTS Doc. No. B0530.0-10 with Goodyear Tire and Rubber Company to lease bus tires on a tire-mile basis, including all related tire services. The resulting contract would be for a three-year base period with 2 one-year options.

Recommended Consent Items

There was no additional discussion of the recommended Consent Items.

Recommended Board Discussion Items

There was no discussion of recommended Discussion Items.

2. MTS: FY 2011 Operating Budget (Larry Marinesi)

Larry Marinesi, Budget Manager of MTS, gave a PowerPoint presentation beginning with a fiscal year 2010 budget recap. He stated that the original projected shortfall was \$19.7 million, which was driven by the TransNet/TDA reduction of \$14.4 million. He stated \$13.6 million in one-time funds have been used to balance the FY 2010 budget. He reviewed the use of one-time funds, service reductions and the refinancing of the POB with a Dexia loan. Mr. Marinesi mentioned that the projected reserve balance as of June 30, 2010, is \$21.7 million equating to 10% of the operating budget. He stated that MTS is on target to achieve a balanced amended budget.

Mr. Marinesi recapped the fiscal year 2011 budget. He explained that as of March 2010, SANDAG is projecting a 1.87% increase in sales tax revenue, which equates to a \$768,000 increase in subsidy revenue. He added that due to the recovering economy, it is anticipated that there will be a growth in ridership of 1.9%. He reviewed projections for advertising, service reductions, interest expense reductions due to the variable POB refinance, and preliminary energy assumptions that resulted in a preliminary projected shortfall of \$10.1 million. At that time, the Board provided direction to use \$8.2 million from capital improvement project (CIP) monies that resulted in a \$1.9 million shortfall.

Budgetary assumptions have been refined and present a balanced budget. Mr. Marinesi stated that the updated assumptions include \$861,000 in revenue enhancements, primarily in passenger revenues, and \$1.1 million in cost reductions, primarily driven by updates in CNG costs. He stated that the updated assumptions total \$1.9 million and

budget adjustments total \$10.1million, which was previously projected as the operating deficit. These adjustments result in a balanced budget for FY 2011.

Mr. Marinesi reviewed the details of the fiscal year 2011 budget stating that fare revenues are projected to be 3.3% higher, and other operating revenues are projected to drop by \$226,000 primarily due to advertising revenues and interest income reductions. He stated that on the subsidy side, federal dollars are projected to drop by \$5.9 million because ARRA funds will not be received in fiscal year 2011. He stated that TDA and TransNet are increasing by \$768,000 in the upcoming fiscal year. The reserve balance is projected to be \$22 million by the end of fiscal year 2011, and no reserves will be used for the upcoming fiscal year. He stated that the total decrease in revenue is projected to be \$11.5 million compared to fiscal year 2010.

Mr. Marinesi stated that fiscal year 2011 expenses are projected to total \$219 million, which is a \$11.5 million, or 5%, reduction over fiscal year 2010. He pointed out that the fiscal year 2011 energy costs have been reduced by \$3.7 million primarily driven by a reduction of compressed natural gas. The cost per therm is projected to decrease by \$0.349 or -27% due to a facility maintenance negotiated procurement and a reduction in San Diego Gas and Electric's transportation costs. He added that there is a \$700,000 savings in traction power through the Direct Access Electricity program.

Mr. Marinesi presented graphs that project the average cost of CNG to be \$0.94, diesel at \$2.60, and gasoline at \$2.80. He also reviewed the cost per penny of fuel stating that if the CNG price per term increased by a penny, the impact would be \$74,000 on operations on an annual basis. He also reviewed the budgeted cost per mile and the historical energy rates for the past four fiscal years.

Mr. Marinesi stated that the fiscal year 2011 budget is balanced. He reviewed the total combined revenues that are projected to decrease by \$11.5 million and total expenses projected to decrease by \$11.5 million. He provided projected revenue statistics, including revenue miles and hours, total miles and hours, and passenger boarding.

Mr. Marinesi provided a five-year financial forecast through fiscal year 2015. He pointed out that in fiscal year 2011, one-time funds of \$8.2 million were used to balance the budget. He stated that in future years, the one-time funds are not recurring sources of funding, which presents fiscal operational concerns in the upcoming four fiscal years. Operating deficits are projected between \$11 million and \$15.6 million over the upcoming four fiscal years.

Mr. Marinesi reviewed next steps for the fiscal year 2011 budget.

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|---------|---------------------------------------|
| 5/27/10 | Finance Workshop – MTS Board |
| 6/10/10 | MTS Public Hearing and Board Adoption |
| 6/18/10 | SANDAG Transportation Committee |
| | Transit Operating Budget Approval |

Mr. Jablonski mentioned that he attended the California Transit Association Legislative Spring Conference yesterday in Sacramento, and the majority of the discussion was regarding the state budget. On a positive note, the transportation gas tax swap from

sales to excise tax was not raised under the Governor's May revise. There is a fair amount of feeling that the funds will continue to be maintained through the budget process this year, but there is no guarantee for future years.

Action Taken

Mr. Rindone moved to receive a report. Mr. Selby seconded the motion, and the vote was 5 to 0 in favor.

3. MTS: Internal Revenue Service (IRS) Payroll Audit Findings (Tiffany Lorenzen and Linda Musengo)

Cliff Telfer, Chief Financial Officer of MTS, explained that MTS received a letter earlier in the year from the Internal Revenue Service (IRS) stating that it was going to conduct a payroll audit for the 2008 tax year. At this point, MTS has not received a final letter of the findings from the IRS audit, but issues that were raised orally from the field agent are being addressed.

Linda Musengo, Finance Manager of MTS, reported that one extremely surprising aspect of the audit is that the IRS has carved out an exception for public officials and those Board members are classified as employees. Ms. Musengo recently checked the instructions and information for 1099 filings and confirmed that board of directors' fees for corporate boards continue to be regarded as 1099 compensation, so there will be no withholding issues involved. The IRS representative indicated that there were agencies up and down the state of California that have been "dinged" for the same thing. Ms. Musengo specifically questioned the IRS representative on the issue stating that MTS Board members are elected by their municipalities and counties then appointed to our Board, and the representative clarified to her that whether a Board member is appointed or elected does not alter the situation.

Ms. Musengo explained that the amount of money in terms of liability tax is small, but that a change in procedures will need to occur if we decide to move forward with this decision. She also mentioned that other local agencies will be watching MTS to see how we handle the issue as we will be setting precedent. Ms. Musengo stated that we will be receiving a contract agreement from the IRS that stipulates that from now on, MTS will regard all Board members as employees. In return, the IRS will not sue MTS for any back taxes for the years 2009 and 2010; however, MTS will be required to pay back tax for the tax year 2008 (as that was the audit year).

Mr. Jablonski mentioned that General Counsel is looking into this issue, and MTS will seek a second opinion from a tax specialist. MTS will also be contacting other transit authorities and additional public boards before a decision is made on our response to the IRS. Mr. Jablonski also wanted the minutes to reflect that SANDAG is still researching this issue. Also of note is that Los Angeles County Metropolitan Transit Authority is undergoing a similar audit and we are awaiting the outcome of its audit findings.

Action Taken

No Action Taken.

The Executive Committee convened to Closed Session at 10:18 a.m.

4. MTS: CLOSED SESSION – CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Pursuant to California Government Code Section 54956.8
Property: 1313 National Avenue, San Diego, California (Assessor Parcel No. 535-612-01); 1344 National Avenue, San Diego, California (Assessor Parcel No. 535-613-04)
Agency Negotiators: Tiffany Lorenzen, General Counsel; Tim Allison, Manager of Real Estate Assets
Negotiating Parties: George Davis Trust; ISD Triangle LLC
Under Negotiation: Price and Terms of Payment

The Executive Committee reconvened to Open Session at 10:34 a.m.

Oral Report of Final Actions Taken in Closed Session

Mr. Paul Jablonski, CEO, reported the following: the executive committee received a report, and direction was given to staff.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

Sharon Cooney, Director of Government Affairs of MTS reported that the SNADAG Transportation Committee is recommending that the Board of Directors approve the implementation of the proposed pilot limited express transit service from the Murphy Canyon military housing area to Naval Base San Diego for a period of one year beginning in fall 2010. She also reported that the Transportation Committee is recommending that the Board of Directors allocate \$16 million of TransNet funding for the Interstate 805 Corridor Project and that new deadlines be set moving the open-to-the-public date to May 2011. The delay is a result of procuring the technology for lane-keeping as busses will ride on the shoulder.

Ms. Cooney reported that as part of the Blue Line Improvement Project, the Port District has asked MTS to help with the installation of fiber-optic cable, and there will be a budget transfer to provide funding for the additional work. Ms. Cooney also mentioned that the Transportation Development Act Productivity Improvement Program is conducting an annual productivity review to ensure that MTS is making performance improvements.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee member communications.

G. PUBLIC COMMENTS

There were no public comments.

H. NEXT MEETING DATE

The next Executive Committee meeting is scheduled for Thursday, June 3, 2010, at 9:00 a.m. in the Executive Committee Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 10:34 a.m.


Chairman

Attachment: Roll Call Sheet

**EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) May 20, 2010

CALL TO ORDER (TIME) 9:00 AM

RECESS _____

RECONVENE _____

CLOSED SESSION 10:18 AM

RECONVENE 10:34 AM

ADJOURN 10:35 AM

| BOARD MEMBER (Alternate) | PRESENT (TIME ARRIVED) | ABSENT (TIME LEFT) |
|---|---------------------------|-----------------------|
| LIGHTNER <input checked="" type="checkbox"/> (Young) <input type="checkbox"/> | | 10:32 AM |
| MATHIS <input checked="" type="checkbox"/> | | |
| Imperial Beach Rotated to Chula Vista | | |
| RINDONE (VC) <input checked="" type="checkbox"/> (Young - CPT) <input type="checkbox"/> | 9:03 AM | |
| ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/> | | |
| SELBY <input checked="" type="checkbox"/> (Ryan) <input type="checkbox"/> | | |
| Transportation Committee Rep Slot (Mathis) | | |

SIGNED BY OFFICE OF THE CLERK OF THE BOARD:

Valerie Vizkeletti

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

[Signature]