

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

May 27, 2010

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

FINANCE WORKSHOP

1. Roll Call

Chairman Rindone called the meeting to order at 9:02 a.m. A roll call sheet listing Board member attendance is attached.

2. MTS: Fiscal Year 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 2.1%. 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 \$10.1 million, 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.

6/10/10	MTS Public Hearing and Board Adoption
6/18/10	San Diego Association of Governments (SANDAG) Transportation Committee - Transit Operating Budget Approval

Mr. Ewin commented that Mr. Marinesi had done an excellent job capturing current and future financial concerns in his budget report. He requested that future budget reports also consider these ongoing operational concerns as it provides an opportunity to use them as benchmark indicators to measure performance for fiscal year 2011.

Mr. Gloria commented to the issue of TransNet funds given from SANDAG and felt that Board members advocated for the funds for usage of enhancing rider services, not being held for future reserves. Ms. Lightner also expressed concern for the \$7.9 million in TransNet funds from SANDAG and those funds going into capital projects and expending the funds versus putting the funds into reserves for future use. She felt that advocating efforts to SANDAG for the funds were to help with operations.

Mr. Jablonski explained that the funds to plug the deficit were originally taken out of capital reserves and it makes sense to position the funds back into capital. He explained that roughly

25% of projects are funded and 75% are unfunded, which equates to roughly \$36 million unfunded projects. We are trying not to gut our capital program and balance both sides of the equation. Mr. Jablonski explained further that the \$7.9 million TransNet funds from SANDAG are in fact going towards operations. A case was made to SANDAG earlier in the year that MTS would be facing a budget deficit. If MTS does not receive the TransNet money, other projects would be cut. An additional problem MTS is facing is the issue of state funding. MTS could receive \$16 million in state funding for the 2011 fiscal year and, if that is the case, it will cover the \$8.2 million deficit and provide us with a surplus.

Mr. Mathis commented that MTS is anticipating significant shortfalls of funding for future years and in an effort to stay ahead of financial problems, we are trying to position ourselves to ensure we can absorb cuts.

Action Taken

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

3. Public Comments

None.

4. Adjournment

Chairman Rindone adjourned the Finance Workshop at 9:03 a.m.

BOARD MEETING

1. Roll Call

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

2. Approval of Minutes

Ms. Emerald moved to approve the minutes of the May 13, 2010, MTS Board of Directors meeting. Mr. Van Deventer seconded the motion, and the vote was 12 to 0 in favor.

3. Public Comments

Derek Turbine: Mr. Turbine is a Chula Vista resident and the business development manager for Seal Beach, a California based company, Clean Energy; the MTS CNG fuel provider since 2002. He is speaking today in protest of Agenda Item No. 30 - the proposed award to Trillium USA, LLC. MTS and Clean Energy had a 5-year contract, which ended in 2007 and since then, Clean Energy has continued to provide services on a monthly basis. Clean Energy believes that it will provide MTS an actual savings of \$2.7 million and has all of the qualifications and demonstrated experience.

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.

Action on Recommended Consent Items

Mr. Van Deventer moved to approve Consent Agenda Item Nos. 6, 7, 8, and 9. Mr. Ewin seconded the motion, and the vote was 12 to 0 in favor.

CLOSED SESSION:

24. Closed Session Items

The Board convened to Closed Session at 9:42 a.m.

- a. MTS: CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION Pursuant to California Government Code 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: 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 Board reconvened to open session at 10:28 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 staff.
- b. The Board received a report and gave direction to the agency negotiators.

NOTICED PUBLIC HEARINGS

25. There were no noticed public hearings.

DISCUSSION ITEMS

30. MTS: Compressed Natural Gas (CNG) Station Capital Improvement Upgrades and Operating and Maintenance Agreement (Claire Spielberg)

This discussion item has been postponed and will go through a protest resolution process. Once that it complete, the item will come back to the Board for discussion.

Action Taken

No action was taken on this item.

REPORT ITEMS

45. MTS: Trolley Rehabilitation Project Update (John Haggerty of SANDAG)

John Haggerty of SANDAG gave a PowerPoint presentation on the Orange and Blue Line Trolley Rehabilitation Project. He explained that the Green Line extension stations, the Orange Line, and downtown stations will undergo an eight-inch platform lift. The Blue Line stations will undergo an 8-inch lift but will require complete reconstruction of the stations to accommodate growing ridership on buses and trolleys in the area. The Green Line extension will begin operations in January 2012, the Orange Line following in July 2012, and the Blue Line will start operations in June 2013. The total projected cost for the Trolley Rehabilitation Project is estimated at \$619 million. Charts showing design, construction, and vehicle status were provided.

Mr. Haggerty reviewed the design elements of the proposed Green Line extension stations as well as proposed station upgrades for the Blue Line. Design elements of the proposed stations take into account the architectural elements in the station's vicinity. The proposed stations at Washington Street, Middletown, and County Center/Little Italy will include four shelters each station with a single row of columns in the back, a barrel roof design allowing for an open feel at the platforms, and brick or brick-like paving. The Orange Line will terminate at Santa Fe Depot. The Santa Fe Depot station shelter or paving will not be changed; the station itself will be extended to accommodate the new low-floor vehicles. The Seaport Village Station currently is concrete, and the proposal is to have a shelter slightly wider than the proposed County Center Station with the same open shelter design concept including mast and stays to give a more nautical theme. Again, the proposed station paving will be brick or brick-like, and there will be additional signing for enhanced way-finding. One element of the design criteria for the shelters are a larger awning that will go from the back of the station and up to the yellow tacking warning strip on ground to provide more coverage.

The Convention Center Station proposal includes beams that have been changed, and the color scheme is different to tie into the Convention Center in the background. A concrete similar to crushed granite will be used to gain a 2-inch lift. The proposed Gaslamp Station has design elements that mirror the entry-way monument, including a barrel-vaulted roof with barrel gable and filigree column caps. The barrel gable will provide additional room for station identity, and the proposed station paving will be brick paving to match the existing paving. The 12th and Imperial Transit Center proposed shelter will include a grey and red color scheme to match colors already in the area. Some additional shelter will be needed for this new operating plan, so the proposal is to have two shelters on this platform and to replace paving with concrete to maintain the look and feel of the surrounding buildings.

Mr. Haggerty reviewed the design station goals for the Blue Line corridor and presented an example of the typical station layout. The stations on the Blue Line will consist of a standard shelter design; small, large, and transit centers costing, \$100,000, \$150,000, and \$275,000, respectively. He explained the Blue Line transit center shelter design approach, considered the bus-to-trolley transfer across the plaza platform and the concern to provide enough shade for patrons. The small and large shelters will have a double-barrel roof with an upper wing on the bus side. They will have an open look and feel to them with a barrel-vault arched roof, metal shelters with a metal roof, and an arch screen will provide visibility for enhanced security. The transit center shelter design includes a double-barrel shelter roof with an upper wing to accommodate buses. A low-floor system improvement program schedule summary chart was provided to the Board.

Action Taken

Mr. Cunningham made a motion to receive the report and authorize the Executive Committee to take the lead on project oversight. Mr. Selby seconded the motion, and the vote was 11 to 0 in favor.

46. MTS: Operations Budget Status Report for April 2010 (Mike Thompson)

Mike Thompson, Assistant Budget Manager for MTS, gave a brief report on the budget status for April 2010. Mr. Thompson reported that fare revenue is ahead of budget by \$811,000 leading to an overall operating variance of \$788,000 with ridership higher than projected causing a \$1.6 million variance. Average fares are lower than budget balancing to \$800,000 positive variance. He reported that operating expenses are unfavorable with a large driver being personnel costs on the transit side resulting from the change in service structure that took place in February; costs are expected to even out as the fiscal year continues. CNG and diesel costs are favorable compared to projected budget rates. Mr. Thompson concluded that combined, operations are favorable by \$180,000 while administration and other activities are unfavorable by \$197,000 due to interest and advertising leading to a total combined net operating variance of \$14,00 unfavorable or 0.4%.

Action Taken

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

60. Chairman's Report

Chairman Mathis made no report.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin, Chairman of the Audit Oversight Committee, reported that an Audit Oversight Committee meeting will take place prior to the Executive Committee meeting on June 17, 2010.

62. Chief Executive Officer's Report

Mr. Jablonski reported that last Tuesday and Wednesday, he was in Sacramento for a California Transit Association (CTA) Executive Committee meeting and a spring legislative conference, and most of the discussions revolved around state funding. The CTA Fall Conference will be taking place in San Diego in September, and he is in the process of negotiating a 1-day rate and all Board members will be invited. More details will be provided as the date approaches.

63. Board Member Communications

Ms. Lightner commented that the SuperLoop is opening on Judicial Drive, and she was heading off to a ribbon-cutting ceremony.

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, June 10, 2010.

66. Adjournment


Chairman Mathis adjourned the meeting at 11:02 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 SYSTEM BOARD OF DIRECTORS
ROLL CALL

MEETING OF (DATE): May 27, 2010

CALL TO ORDER (TIME): 9:02 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:42 a.m.

RECONVENE: 10:28 a.m.

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 11:01 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
CUNNINGHAM	<input checked="" type="checkbox"/> (Boyack) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		
EMERALD	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:12 a.m.	
GLORIA	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		
JANNEY	<input type="checkbox"/> (Bragg) <input type="checkbox"/>		x
LIGHTNER	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:04 a.m.	11:00 a.m.
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 type="checkbox"/> (Cox) <input type="checkbox"/>		x
RYAN	<input type="checkbox"/> (B. Jones) <input type="checkbox"/>		x
SELBY	<input checked="" type="checkbox"/> (England) <input type="checkbox"/>		
VAN DEVENTER	<input checked="" type="checkbox"/> (Zarate) <input type="checkbox"/>		
YOUNG	<input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>		10:43 a.m.

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

Valerie Vizkelety

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

[Signature]