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

July 15, 2010

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:01 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 24, 2010, MTS Board of Directors meeting. Mr. Van Deventer seconded the motion, and the vote was 11 to 0 in favor.

3. Public Comments

Clive Richard – Mr. Richard commented that yesterday he was watching an old video of Bill and Ted's Excellent Adventure, and there was a comment in the film from a high school college jock who said everything is different except it's the same, things are more modern than before, and things are getting smaller. Clive thinks the comment was correct in a real sense, things are different but they are the same, bigger, smaller, and more modern. He contemplated what the position of the Board would be if it were not in the middle of a great recession, how close MTS would be to providing great service to east Chula Vista. Clive stated that some decisions needed to be made and he was unsure if they were due to the great recession.

CONSENT ITEMS:

6. MTS: Investment Report - April 2010

Action would receive a report for information.

7. MTS: State Transit Assistance (STA) Claims

Action would adopt Resolution No. 10-20 approving fiscal year (FY) 2010 STA claims.

8. MTS: Proposed 2010/2011 Internal Audit Plan

Action would approve the proposed 2010/2011 Internal Audit Plan.

9. MTS: Resolution of Designated Individual/Position Authorized to Act on Behalf of Metropolitan Transit System

Action would adopt Resolution 10-16 to approve the Manager of Risk and Loss Prevention to act on matters relating to California State Association of Counties (CSAC) Excess Insurance Authority.

10. MTS: Investment Report - May 2010

Action would receive a report for information.

11. MTS: Internal Audit Report - Contract Services

Action would receive a report for information.

12. MTS: Internal Audit Report - Human Resources

Action would receive a report for information.

13. MTS: Fiscal Year 2011 Revised Transportation Development Act (TDA) 4.0 Capital Claim

Action would adopt Resolution No. 10-19 approving the revised fiscal year (FY) 2011 Transportation Development Act (TDA) Article 4.0 claim.

14. MTS: Transit System Safety, Security, and Disaster Response Account Program

Action would approve Resolution No. 10-17 authorizing the CEO to submit applications for funds provided by the Transit System Safety, Security, and Disaster Response Account (TSSSDRA) Program.

15. MTS: Amendments to the Joint Exercise of Powers Agreement and the Bylaws of the Los Angeles-San Diego-San Luis Obispo (LOSSAN) Rail Corridor Member Agency

Action would approve the proposed amendments to the LOSSAN Joint Exercise of Powers Agreement and Bylaws.

16. MTS: Increased Authorization for Legal Services - Law Offices of R. Martin Bohl

Action would authorize the CEO to execute MTS Doc. No. G1072.5-07 with the Law Offices of R. Martin Bohl for legal services and ratify prior amendments entered into under the CEO's authority.

Action on Recommended Consent Items

Mr. Janney moved to approve Consent Agenda Item Nos. 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16. Mr. Van Deventer 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 9:08 a.m.

a. 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

b. 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)

The Board reconvened to open session at 10:18 a.m.

Oral Report of Final Actions Taken in Closed Session

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

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

b. The Board received a report and gave direction to General Counsel.

NOTICED PUBLIC HEARINGS:

25. There were no public hearings conducted.

DISCUSSION ITEMS:

30. MTS: Credit Agreement

Mr. Tom Lynch, Controller, presented to the Board a new line of credit for fiscal year 2011 with Bank of America. He stated that MTS had a $10 million credit line in place for fiscal year 2010, which has expired. He explained that MTS experiences a timing difference between the receipt of various federal funds and payment for normal expenses creates a need for short-term financing. The specific terms of the negotiated line of credit agreement with Bank of America are as follows: $10 million, one-year term with the ability to renew for a second year, interest rate is 64% of the London Interbank Offered Rate (LIBOR) plus 115 basis points, unused commitment fee of 40 basis points, and fees would be approximately $7,000.

Mr. Lynch discussed comparison rates from Citibank to be LIBOR plus 1.5% and a .25% commitment fee and Union Bank LIBOR plus 1.75% and a .37% commitment fee. He explained that the Bank of America quote is the strongest even though the fees are slightly higher, the interest rate is significantly better, which would provide some offset against the fees.

Action Taken

Mr. Van Deventer moved to approve Resolution No. 10-18 authorizing the CEO to execute a credit agreement with Bank of America for $10 million and any other ancillary documents necessary to complete the transaction. Ms. Hanson-Cox seconded the motion, and the vote was 14 to 0 in favor.

31. <u>MTS: Procurement, Integration, and Installation of Onboard Video Surveillance Systems for MTS Buses</u>

Ms. Claire Spielberg, Chief Operating Officer of Transit, gave the Board PowerPoint presentation on the MTS Mobile Onboard Video Surveillance Systems (MOBVSS) for MTS buses. She explained that the contract was initially awarded in September of 2007, but the contractor defaulted and left MTS with a partially completed project. She further explained that the contractor had previously installed MOBVSS in 152 forty-foot buses so the new contractor would have to new MOBVSS' that would be compatible with the existing system, and the contractor would have to show proven reliability.

Mr. John Miller, Procurement Specialist, summarized the procurement Request for Proposals (RFP) process. He stated that RFPs were issued to forty-four potentially qualified vendors, six proposals were received back and deemed to be in compliance. He explained that proposals were evaluated by a five-member evaluation committee, and four contractors were called for discussions in person. Following discussions, proposers were asked to submit revised proposals, and evaluators then found two competitive bids based on a technical factor weighing 50% and cost, which was also a 50% weight factor.

Ms. Spielberg summarized the technical evaluation objectives; most important was making sure the equipment had the ability to integrate with the existing system. It was also important to choose a contractor that had equipment that could wirelessly download video events and could record a minimum of 240 hours of onboard, stored video. Another important feature was deemed to be synchronized audio in the driver's area. She explained that the desires for software performance needed to be license-free software, interactive speed and mapping interface, and integrated system management software. Ms. Spielberg mentioned that the new system will have features that the old system did not have, including the ability to record once awoken from a sleep mode. The new system will essentially run based on G-force.

Mr. Miller explained that cost proposals were scored with maximum points given to the lowest price, and the committee's scores were averaged for each technical evaluation factor resulting in an overall score of 91.8 for Apollo Video Technology and 79.8 for the Transit Marketing Group. The best and final offer from each contractor turned out to be roughly a $1 million difference.

Ms. Emerald asked for clarification on the kind of bond the contractor is posting, where the contractor is located, and the time frame for completion of project. Ms. Spielberg responded that the bond is a completion bond and the contractor is based in Seattle, but a local contractor would be doing the installation of the cameras. Ms. Spielberg explained that the contract is broken up into several phases to ensure that the systems are integrated so the timeframe is based on the integration phase. Ms. Emerald asked for information regarding maintenance and protection on warranty contracts. Ms. Spielberg responded that the maintenance is provided under warranty; we would have the option to contract out the maintenance, and the bond would provide protection.

Ms. Hanson-Cox wanted confirmation that the existing system will be brought up to the new system software and technology. Ms. Spielberg replied that all the camera equipment would be controlled by Apollo and, as the old cameras break or fail they would be replaced with new Apollo cameras.

Mr. Jones asked if the previous contractor that went bankrupt had shown financial statements to the company during the request for proposals process and what the dollar amount was that MTS had lost when the contractor could not finish the project. Ms. Spielberg responded that they did not ask the previous contractor to share their financial information nor did they require a completion bond. She also responded that MTS did not lose any money, but they lost time.

Mr. Ewin would like to add to best practices an audit of financial statements and if a contractor does not have one, he would like it noted that they are an ongoing financial concern.

Action Taken

Mr. Rindone moved to authorize the CEO to award MTS Doc. No. B0521.0-09 to Apollo Video Technology to procure, integrate, and install onboard video surveillance systems (OBVSS) on MTS buses. The contract would be completed in two phases and would also include three 1-year options for additional OBVSS. Ms. Hanson-Cox seconded the motion, and the vote was 14 to 0 in favor.

32. SDTI: Closed-Circuit Video System for San Diego Trolley Stations - Contract Award

Mr. Bill Burke, Director of Transit System Security, discussed the addition of eight trolley stations to the closed-circuit video system. He explained that the project should be complete before June 2011 for a total cost of $579,943, and funding for this project is allocated under California Proposition 1B (Bond) for MTS fiscal year 2010 capital improvement projects. He mentioned that Security personnel will go to the eight stations to determine the best placement of the cameras. Mr. Burke explained that MTS is currently using the Avigilon Camera System and he is extremely impressed with the performance and value of the system. He then showed the Board several photographs of examples of the Avigilon Camera System technology noting in particular that the pan, tilt, zoom camera is not required any longer as a fixed camera can now provide the same functions.

Ms. Emerald asked if the contractor was required to have a completion bond and if the equipment was under warranty. Mr. Burke responded that the bond was required and it covers the equipment.

Mr. Rindone asked if any of the original twenty-two stations that have closed-circuit video systems would need to be upgraded to have the same technology. Mr. Burke responded that at this time, all of the sites are functioning in the capacity needed, and once systems begin to fail due to age the system will be replaced with the new technology. He also stated that part of the cost savings of this project is the fact that the new technology has made it possible to get the same quality of security with less equipment. Mr. Rindone asked how long the data is kept. Mr. Burke responded that data is kept for 15 days unless an incident is reported; in that case, the incident is downloaded onto a cd and stored in inventory for as long as necessary. Mr. Rindone asked if there was specific data available regarding the incidence of car theft at stations with cameras and if cars were in fact being stolen from stations that have cameras installed. Mr. Jablonski responded that cameras are not put into stations that do not need them, and that auto thefts do continue to happen at stations that have cameras, but it does deter some crime. Mr.

Burke added that the eight stations chosen to receive cameras were chosen because it was seen as a need.

Mr. Ewin wanted to thank staff for staying on top of security issues and for working on getting cameras into trolley stations. He mentioned a firsthand situation in which the camera had helped spot a man who committed a crime at Grossmont Center and used a restaurant to hide. Security staff spotted the individual and lead police to him for apprehension. He feels that the cameras are a service to the community as they deter crimes and, equally important, they help apprehend those who commit crimes. He also mentioned that he has been to the Operations Center and invites his colleagues to do the same to get a good look at the quality of the equipment.

Ms. Emerald wanted to make sure that lighting is adjusted to maximize the quality of the video and Ms. Hanson-Cox wanted to make sure that signage reflects that the station is recording video. In response, Mr. Burke stated that lighting at each station is different in terms of camera installation, and each station that has video surveillance has signage posted that live video is being recorded.

Clive Richard – Mr. Richard never thought that at a transit stop anyone has privacy, and he feels a lot more comfortable that cameras are recording actions. He does believe that video surveillance has an effect and that people do things differently on camera than when they are in the shadows. He added that MTS "rocks", and security is good.

Mr. Jablonski added that the camera projects for busses and transit centers are being paid for with Homeland Security and California Proposition 1B funds expressly passed for security measures which means that the money is not being taken away from capital budgets. He also mentioned that cameras will be put onto trains and we are currently identifying qualified companies and should have some cameras on trains in the fall.

Action Taken

Mr. Ewin moved to authorize the CEO to execute MTS Doc. No. PWL125.0-10 with Electro Specialty Systems, Inc. for the procurement and installation of a closed-circuit video system for San Diego Trolley, Inc. (SDTI) stations. Mr. Rindone seconded the motion, and the vote was 14 to 0 in favor.

33. MTS: Siemens Light Rail Vehicle (LRV) Procurement - Contract Amendment

Ms. Lorenzen reviewed briefly the previous three Board approved amendments to the agreement with Siemens for the procurement of light rail vehicles; Amendment 1 was a name change for Siemens, Amendment 2 authorized the procurement of spare parts needed to operate fleet totaling $4,224,249, and Amendment 3 changed the interior passenger lighting system and the exterior designation sign with supplier Luminator and a modified window installation to a zipper system totaling $1,389,685. She explained that funds spent to date, including the base contract, are $228,808,907.

Ms. Lorenzen is proposing an additional revision to Amendment 2 because of some further discussions with Siemens and dissimilarities to parts that are not interchangeable. There is a need to purchase additional spare parts and special tools, comprehensive training manuals, and training for vehicle maintainers with a cost of $2,314,908. Also being proposed is an Amendment 4 to add train-to-wayside communications to the car order costing $215,716.

Mr. Wayne Terry, Chief Operating Officer of Rail, explained that the train-to-wayside communications acts as a transponder. It makes it possible to track trains and is used for train identification and variable message signs, which will be integral to operations. Ms. Lorenzen explained that the sales tax for the proposed changes would be $711,127 for a total amendment cost of $3,241,751, which would increase the project budget from $228 million to $233 million. She further explained that the total budget increase would be $4,832,000 with a $1 million contingency and $619 million in the Blue Line Project.

Ms. Hanson-Cox wanted to make sure that lead time components were accounted for regarding the purchase of spare parts from Germany.

Mr. Ewin asked to see a breakdown of where the $18 million in sales tax is going and to what jurisdictions. He mentioned that he would like to see a day when public agencies immediately see a return on the amount of paid state taxes.

Mr. Cunningham commented that it would be an opportunistic time to retrofit the 57 cars with video cameras in terms of efficiencies and having them roll off the line ready to go. Ms. Lorenzen responded that the vehicles have been ordered with pre-wiring for cameras, and, as the vehicles arrive on site, they will be outfitted before they are put on the line to begin service. She stated that the procurement of cameras for the existing fleet as well as the new fleet is currently in process. Mr. Jablonski clarified further that the camera installation did not occur at the time the rail cars were ordered because it was still unclear what type of camera system would be best, and they did not want to rely on the manufacturer to choose the cameras. He mentioned that in this scenario, Homeland Security funds can be used for the camera system, which protects some of the TransNet and local funds.

Action Taken

Mr. Cunningham moved to (1) authorize the CEO to execute a revised Amendment 2 identifying the list of spare parts, special tools, and training to be provided by Siemens; (2) authorize the CEO to execute Amendment 4 to add train-to-wayside communications to the car order; and (3) increase the total budget for the procurement of low-floor vehicles from $228,168,000 to $233,000,000 and amend the SANDAG LRV procurement funding Memorandum of Understanding (MOU). Mr. Rindone seconded the motion, and the vote was 14 to 0 in favor.

34. MTS: Salary Range Adjustments

Mr. Jablonski explained the last time we talked about salaries and position changes was in 2004 following the consolidation, and the Board made some approvals in 2005. He stated that maintenance of the grade structure needs to be done because over the last couple of years there have been a number of changes organizationally. About 20% of staff has been reduced so creating extra duties and the shifting of responsibilities has taken place so salary grades need to reflect changes. He mentioned that in order to make these recommendations, Mr. Jeff Stumbo has looked at California agencies and other transit systems in the country. Mr. Jablonski also stated that titles are being looked at to make them consistent with responsibilities. He is mostly looking at the titles of directors who report directly to him and the possibility of making them Vice Presidents. He is continuing to look at titles in terms of relation to duties and what is logical in terms of the organization.

Mr. Jeff Stumbo, Director of Human Resources, mentioned that many changes have occurred since 2005 when the last comprehensive revised salary ranges took place, and, at that time three separate organizations merged into one entity. He mentioned that the annual merit increase is the only way to monetarily reward employees; there are no cost-of-living adjustments (COLA), or increased salary ranges, and performance bonuses are no longer given. Mr. Stumbo stated the importance that salary grades reflect market value in order to attract and retain quality employees. He explained that to ensure ranges remain competitive, he did a comprehensive review of local jurisdictions as well as agencies that have stolen employees in the past; most of them were trolley employees. He also mentioned that presently when employees are at the top of the range, instead of salary increases, they receive a bonus, which disadvantages the employee with a tax hit, and the raise is not spread out over the term of the year. Mr. Stumbo also mentioned that since ranges have not been revised since 2005, several key staff members are at their salary caps and have been so for a couple of years. He explained that Board approval of this agenda item would more closely align salary ranges with those of comparable employers in the market, take inflation into consideration for the next couple years, and provide relief to those employees who have been receiving bonuses rather than a raise. He also explained that Board approval would only modify salary ranges and would not increase the compensation of any particular employee and, therefore, would not have a budget impact.

Mr. Cunningham stated that staff has done a very good job and that the recruiting and retention of the management team is important because the management team is fantastic. He wanted to know how many management members are at the top of the salary range. In response, Mr. Stumbo replied that about 40 management employees are at top or within a 1% of the being at the top of their salary range. Mr. Cunningham asked how it could not have a fiscal impact if we see an immediate increase in salaries for 40 management employees. Mr. Stumbo gave an example that if an employee is getting a 2% raise and is already at the top of the range, then that employee would receive the raise in the form of a bonus versus making 2% more in salary. The agency would still pay out 2% to the employee spread out over 1 year as a raise instead of receiving a lump-sum bonus, which is presently what those receive who are at the top of their salary ranges. Mr. Cunningham asked if a management member goes to the next step and this is a 2-year process, then the next year would they receive a bonus on top of the step increase.

In response, Mr. Jablonski stated that nothing would happen automatically if this agenda item is approved. He explained that the only way we compensate for an increase in wages is through a performance review or promotion, and in certain instances, when a department is combined, a management position is eliminated, and responsibilities are shifted, which has been done over the last year and a half.

Mr. Cunningham stated that as he understood it, there were no more performance-based raises, so he wants to understand how an employee can get to the next salary range. Mr. Jablonski replied that it would be through an annual performance review. Mr. Cunningham asked if the employee receives a satisfactory or better on their performance review, do they go to the next step? Mr. Jablonski stated there are no steps in our grade ranges; we use percentages. He provided the following example: last year, the 2.5% budget allocation for performance reviews was suspended, however, the year before that it was 2.5%, so that was the budgetary cap that we went by.

Mr. Cunningham asked if any non management employees would receive an increase in salary ranges. Mr. Stumbo replied that bargaining units have their salaries negotiated and do not have salary ranges, and that trolley employees are scheduled to receive a 2% increase in April 2011 after being frozen for one year. Mr. Cunningham asked for clarification on when it would become effective if approved today. Mr. Stumbo responded July 1, 2010. Mr. Jablonski stated that we conduct performance reviews on employees based on their anniversary date; some will be conducted in July, October, December, and all the way through next May and June; it just depend on their anniversary date. Mr. Cunningham asked if we were to match the increase to July of next year, the same as non management staff would we recognize any savings?

Mr. Stumbo replied that there would be a de minimis cost in the future because if the salary of an employee has increased than the value of their vacation has increased but that would not be the case if the employee had received a bonus, however, for the current fiscal year there would be no increase. Mr. Cunningham then stated that it would not be called a bonus anymore, it would just be wrapped into an increase in the salary range. Mr. Stumbo replied that he was correct.

Chairman Mathis stated that salary reviews are something that has to be done periodically in any kind of management structure, and a significant number of people have reached the top end of the salary range signaling that it is time to review and adjust the ranges. It is an important tool to keep the management team receiving competitive compensation.

Mr. Cunningham wanted to note his concern that during these tough economic times, we are not asking non management to make significant sacrifices and that we are not giving a pass to management employees. He felt that it has been adequately explained that this is a salary range adjustment and deferred to our leadership to make appropriate recommendations for raises and such. Mr. Jablonski stated that the organization has probably been harder on management over the last several years than it has been on labor; the largest union has gotten an annual increase every year. He added that there has been a much bigger take away in benefits in terms of accrual of vacation, amount of vacation days and holidays, and, as a general rule, we have not asked labor to do anything that has not been imposed on management.

Mr. Rindone asked for clarification that range 17 on page 4 had five positions listed in red, and those positions have been eliminated or integrated in other positions in range 17. Mr. Stumbo explained that those positions that have been struck have been moved to range 18. Mr. Rindone asked that in the future, the organization look at designating authority to an assistant director in case of emergency.

Mr. Jones wanted clarification because he was having difficulty approving any increase in pay at this point in time when many jurisdictions have had to reduce employees' pay and/or benefits. He asked if the Board sets ranges as a policy. When an employee hits the top of the range, why would there be an instance that an employee would receive a bonus because they are already at the top of the range? Mr. Stumbo clarified that the Board policy states that a bonus shall be given to an employee who is at the top of their salary range. Mr. Jones commented that there seems to be conflicting policies. He then asked if all the new ranges are increases over the previous salary range. Mr. Stumbo responded that the only changes that are being proposed are changes in red and that not all of the salary maximums are being increased; some will remain the same. He gave an example of the salary range listed for range 7; the top of the salary range currently tops out at $61,743, and they are proposing to increase it to $62,978, which is a 2% increase. Mr. Jones then wanted clarification as to why someone currently in range 17 would move to range 19, such as the position of Controller, and if that action needed Board approval. Ms. Lorenzen clarified that the Board is being asked to do two things: approve the moving of positions and approve increases where staff has proposed increases.

Mr. Jones then asked Mr. Jablonski to clarify his previous comment that the organization has been tougher on management. In response, Mr. Jablonski stated that on the salary side, an automatic COLA increase was eliminated, a goal-setting bonus was eliminated, the merit pool has been capped over the last four years, and last year, all merit increases were suspended. He stated that vacation accrual has been capped and reduced, overtime has been exempted, there are less paid holidays, higher health care benefits costs, and reduced retiree health care. Mr. Jones asked for clarification on the positions that are stricken in red and if any of them are being eliminated completely or simply being moved to a new pay category. Mr. Stumbo responded that they are simply being moved.

Ms. Lightner asked if there is a merit pool dollar amount included in the fiscal year 2011 budget. In response, Mr. Jablonski stated that is 2% for management salaries. Ms. Lightner acknowledged that there may not be an effect on the current year budget but conceivably for subsequent years because, unlike a bonus, an increase in salary will affect vacation and retirement benefits. Mr. Stumbo responded that she was correct. Ms. Lightner then asked if the changing of positions were essentially a promotion. Mr. Stumbo stated that he did not view the changes as a promotion, simply a reflection of the current market for those particular positions. He clarified further that ranges were reviewed for cities, county, and comparable transportation agencies particularly ones that approached employees. Ms. Lightner wanted clarification that the reason for these increases in just certain classifications was not just because there are people at the top their ranges, but because these reflect the standard values found during market research. She also asked if the positions that weren't changed were found to be at the current market rate. Mr. Stumbo replied that the answer to her question was both; some were at the cap, and some are what the market dictates and that the positions that weren't changed were at current market value. Mr. Jablonski clarified further that some of the positions were reviewed during the recruitment period when the organization was unable to find qualified candidates locally and nationally at the salary grade level. In order to get qualified candidates, the company had to bring the salary up the current market values were found to be. Ms. Lightner asked if management took any pay cuts over the last several years. Mr. Stumbo stated that they had not taken a cut in pay, but that their take home pay is probably less due to a higher cost of benefits and not receiving any overtime pay.

Mr. Ovrom mentioned that while he agrees there is great management and agrees that there is not a budget impact this year thus far, he sees that the change in title and pay grade will have an impact on the future. Mr. Stumbo stated there will be a "de minimis" or a minor impact in the future. Mr. Ovrom does not agree that the impact will be only minor because if you are moving someone up three ranges to provide an opportunity to compensate that person better, it may not be "de minimis." Mr. Jablonski stated that it allows an employee getting a merit increase during a performance review to receive it in their annual salary instead of as a lump sum. He stated that it does affect pension, social security and payroll taxes. Mr. Stumbo mentioned that on the flip side, there are employees who have received a lump-sum bonus and then left the organization a couple of weeks later.

Chairman Mathis stated that the Board needs to concentrate on the fact that the salary range adjustments are a reflection of the times and competition in the market. He feels that management has made a lot of sacrifices on their part as a reflection of the times, and the CEO needs the latitude of the increased ranges to get away from the situation where people are hitting the ceiling.

Mr. Ewin said that he feels bonuses are based on performance. He wanted to know how many current vacancies there are within MTS. Mr. Stumbo replied that there are currently 3 or 4 vacant positions. Mr. Ewin mentioned that he views salaries as nonstatic and changing over time. He said that a number of years ago when there was low unemployment, salaries and benefits were raised to attract and retain staff. Now, with millions out of work, Mr. Ewin feels that the message being presented today is that nobody out there can perform duties for MTS better or cheaper. He appreciates the loyalty factor and feels that it needs to be recognized in some way. He also hopes that when performance reviews are being done, performance is really being reviewed. He stated that everyone does do their best and that is the assumption you make with the management team, but when the organization starts to compare itself against other agencies, it is going to be an automatic upward escalator. Mr. Ewin mentioned that he can appreciate what is really trying to be solved by the salary range increase, which are those unique circumstances when you really want to keep employees. He stated that as a public agency, we need to realize that we are running out of other people's money, and when looking at the market we need to look at what is best for the taxpayers. If this is what we as a Board believe to be in the best interest of our taxpayers and citizens who have backed us up on bonds, than that is fine.

Mr. Ewin stated that as an agency, we need to take into consideration that revenues are being cut and the state continues to steal from our funds. He stated that he understands that employees are assuming portions of their retirement, which is a declining benefit. Mr. Ewin added that he understands the adjustments to the retirement plan, which is an employee cost, and noted that the total employee compensation cost must be considered. Mr. Ewin then told staff that he would like to know whether employees who are leaving are only going to other local businesses or leaving the state because there are no longer opportunities here.

Mr. Jones stated that he is not inclined to support the agenda item presented today without more information and feels that the justifications for salary changes are probably valid, but the research information was not provided today for him to review. He stated that his agency has taken a 9% salary cut across the board. He is requesting that documentation be given to the Board from the market research conducted against the other agencies and evidence of what they are paying for comparable positions so that the statement can be justified that the organization is losing people to other agencies due to a lesser salary. He also feels that lower pay is not the only reason why people leave agencies.

Mr. Jablonski stated that approving the grade changes proposed today would not give people raises across the board. Mr. Jones declared that many members of the Board disagree with that statement. Mr. Jablonski said that as soon as the grade ranges are approved no one gets an automatic raise. He gave an explanation of the process. When an employee has a merit review in February 2011 and their supervisor gives them a 1.5% or 2% raise based on performance, than that employee will get that 1.5% or 2% raise if they are within the salary range. If they are at the top of their range, they will get that raise in the form of a bonus, which is in accordance with the current policy. He further explained that if salary ranges are extended, there will be far fewer employees at the top of the salary range and, therefore, far fewer employees receiving bonuses. He asked that the Board reflect on the organization over the 5 or 6 years and how much has been accomplished; he affirmed that those accomplishments are due to the quality of the management team. Mr. Jablonski stated that a large part of the management team has a very specific expertise that is not easily found in local candidates, and sometimes a national recruitment is necessary. He explained that transit is a specific industry, and there is a definite lack of management in the rail business so management is farmed out almost weekly. He said that the organization overall takes great measures to make sure the management structure does appeal to the camaraderie side, and MTS has high expectations of its management, which was validated when MTS won system of the year. Mr. Jablonski stated that the increase in salary ranges and changing of titles is a tool that he can use to keep talent and ensure that MTS has the management needed to run an efficient transit system. He stated that the changes provide the ability to match the industry levels and place employees where they should be appropriately placed. He provided an example of a manager who is responsible for a 135 rail car fleet valued at over a billion dollars that is in a salary grade range capped at out at $90,000, and that employee could go to another agency a hundred miles away and make $140,000 annually. While MTS is an organization that people want to be a part of, the ability to compensate people is also important.

Mr. Jones clarified that his criticism of this agenda item is not a criticism of staff, and he believes that MTS is one of best rail systems in country but he just cannot support the item today.

Ms. Hanson-Cox wanted clarification as to whether management automatically receives a 2% raise each year. Ms. Lorenzen clarified that they do not automatically get a 2% raise. Raises are literally performance based at the time of review. Supervisors review performance and can give up to a 2% raise. Ms. Hanson-Cox then wanted clarification if the Board was being asked to approve the proposed industry standard for the salary ranges, but it if raises are not in the budget, they are not given during the performance review that year. Ms. Lorenzen responded by stating that the Board sets the ranges and budget each year. The budget can include compensation for merit increases; or it can include zero compensation for merit increases, it is always based on the budgetary process. She further clarified that when the ranges are set and the Board agrees on the budgetary amount for merit increase, the discretion to award or not award merit increases is vested with the CEO and is strictly based on the performance of the employee. In the past years, other performance based items like a COLA were given to employees, but that was eliminated by the Board. In response, Ms. Hanson-Cox provided the following example: if an employee did a good job and their supervisor gave them a good performance review, if merit increases were not a line item in the budget, than basically their compensation is that they still have a job. Ms. Lorenzen responded that Ms. Hanson-Cox was correct, and that was the scenario that occurred last year. She then stated that today, the Board is being asked to make some adjustment to salary ranges, move positions to different ranges, and approve the cap of those ranges.

Chairman Mathis stated that some individuals have been given an increase in responsibilities due to cuts in management and reorganization. He directed a comment to Mr. Jones that the organization is not automatically raising salaries, and that he can disagree, but that the recommendation is just a change in salary ranges. Salary ranges are reviewed every few years to make sure that they are still competitive so that if someone leaves, it is possible to recruit someone well qualified taking into account a learning curve which makes that employee (even though they are making more money) significantly of less value than the person who has left. He stated that the reality of the situation is there has to be tools at the manager's level to get the kind of performance that is needed because these are specialists, and there is a demand. There are headhunters who want these people. He feels it is important that the Board does not just give lip service but that it recognizes management and values their services. He feels that when there is a manger who has performed at the highest level, the Board should provide one of the tools to keep a team that can perform like it does, and that the management team in place has done wonders in the face of some difficult challenges.

Ms. Emerald asked Mr. Stumbo to clarify that the proposed changes would go into effect starting July 1, 2010, and that they would have an impact in the current fiscal year. Mr. Stumbo replied yes but stated that there would not be an impact because the employees are otherwise getting a bonus. Ms. Emerald stated that some of these raises are more than 2%. Mr. Stumbo told her that they are not raises. Ms. Emerald stated they were indeed raises and gave an example of the Controller position being moved from salary range 17 to range 19 where the minimum salary in range 17 is $72,000 and the minimum salary in range 19 is $88,000. She directed her statement to Mr. Stumbo saying that she did not want him to make her feel like she was missing something because if an employee was being moved to a higher paid category, then that employee would be making more money. She stated that the Board needed to do some due diligence and that she would not be supporting the agenda item today. She also told Mr. Stumbo that she did not like the word "de minimis" he had used and thought it to be a bureaucratic phrase and an arrogant term that raises a red flag for her. Ms. Emerald said that new salary ranges would be an instant raise because an employee is not moved into a higher paying category without paying them more money. She provided another example: Taxicab Administrator moving from salary range 13 to 16 where the minimum pay is $59,000 in range 13 to $69,000 minimum range in salary level 16, which is a $10,000 increase. Mr. Stumbo stated that the Taxicab Administrator already makes more than $69,000 because that employee has been in that position for 10 to 15 years.

Ms. Emerald declared that the Board has fiduciary responsibility for the agency, which means that she is personally liable, and therefore, she could not vote yes on something that would have a fiscal impact. This agenda item would because the whole purpose is that a few positions have been identified and those positions would receive raises. Ms. Emerald added that even though they have probably earned a raise 10 times over, she wants to see how the salary increases will impact the budget, including fringes and projections on the difference it will make in their pension benefits. She stated that once she sees the budgetary impact, she will be happy to consider approving the changes, but in the meantime, she cannot support the item. She also mentioned that the justification from management that we like these people, they do a good job, and if we don't give them more money they will go somewhere else, is not true. She stated that there is a 10-11% unemployment rate in San Diego and there are a lot of very qualified people who would love to step into these jobs. There are people down the food chain within MTS who have been here years and have lots of great experience that would bask in the opportunity and blossom in new positions. She does not believe that that headhunters are trying to raid employees of MTS, and she would like to see the proof.

Mr. Jablonski stated that there seems to be a misunderstanding, and that every position has a salary range. For example, an employee is hired into a range that makes from $50,000 to $100,000, and you hire them at $75,000 (the vast majority of employees make close to the middle of the range), and you shift that same employee into a salary range from $60,000 to $120,000, that employee is still making $75,000.

Ms. Emerald stated that she understood exactly what is being explained but thinks this is a way of having the flexibility to give people raises. She would like to know specifically what Mr. Jablonski intends to do, and she wants to see the fiscal impact because it is her fiduciary responsibility as a Board member to know what the impact will be. She explained that the City of San Diego had to cut salaries and jobs, and everybody is working for less money. Nobody is being advanced to different higher pay grades, and she would like to make sure that she knows exactly what it is she is voting on when she votes on it.

Mr. Roberts commented that he would like to see a strong consensus by the Board before moving forward and feels that nobody is clear on what this is going to cost. He would like staff to do the math, figure out the cost, and put it into context so that if the Board adopts the proposed changes, there will be a dollar figure that the salaries costs cannot exceed. He feels that his colleagues may be nervous about this item because it could be viewed as a blank check. He mentioned that the Board was told what the cost would be for new trolley parts, but the cost of the salary changes are unknown. It could be $50,000 or a potential of $300,000. He deferred to Mr. Jones to clarify his previous statement regarding his desire for more evidence.

Mr. Jones clarified that he would like to see more information on the salary range increases because some of them are a 30% increase. He also stated that the other issue he has is the justification that is being provided regarding the increase of salary ranges. He strongly disagrees that the market demands increases in salary during this economic climate and he is concerned about the lack of information to support the statement. He feels that regardless of how much employees were compensated, it is impossible to stop headhunters from trying to recruit employees from MTS because it is one of the best transit systems in the country. In his opinion, the economy in California right now does not support the salary increases, but if management has information to the contrary, then he is willing to review it and consider approving the increases.

Ms. Hanson-Cox affirmed that she hears what her comrades are saying on the issue, and she has recently had to recruit management and increase salary ranges in her organization. She explained that she has not done a salary analysis in 5 years and needs to fill some management positions. She found that candidates want an amount higher than the current salary range. She explained further that she had to do her due diligence and research market rates and discovered that she had to adjust her salary range to bring in a qualified person. She understands why the salary range increases are being proposed but also understands why Mr. Jones wants to see the backup documentation for the ranges. Ms. Hanson-Cox agrees that the Board should be shown due diligence.

Ms. Lightner mentioned that given the significant change in some classifications, she felt it was deceptive moving people up three classifications and feels that it would be nice to know how each individual position range changed. Instead of showing a position moving to a classification where she has figure out what the new range is and why that range is so different than before, she would like the changes to be more clear.

Mr. Ewin requested the Board receive a copy of the current Board policy regarding salaries. He also requested that the organization continue to reflect an objective evaluation of a position as positions are designed for the needs of the organization.

<u>Action Taken</u>

Mr. Rindone moved to table this item and bring it back with additional information to show changes in ranges, changes in caps, the fiscal impact, and the justification for the market rate analysis compared to the other districts for those ranges that are recommended to change. Mr. Ovrom seconded the motion, and the vote was 11 to 0 in favor.

35. MTS: Fiscal Year 2011 Revised Capital Improvement (CIP) Program

Mr. Larry Marinesi, Budget Manager, gave a presentation on the Capital Improvement Program (CIP) fiscal year 2011 revised budget. He explained that in May, MTS received notification from the U.S. Department of Homeland Security that it would be providing additional funding for security-related projects leading to a $3.8 million addition to the fiscal year 2011 CIP. He explained that federal funding levels dropped by $1,974,000. He stated that also in May, MTS would receive $186,000 from the California Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Program.

Mr. Marinesi mentioned that in June, MTS received $2.7 million in state Prop 1B funds for onboard trolley cameras. He stated that SANDAG approved the closeout of TransNet 1 funds, which provided the allocation of $2.2 million in remaining expenses related to Mission Valley East Light Rail Transit Project. He also stated that in June, the Board of Directors approved a shift of 7.9 million of Transportation Development Act (TDA) funding into the CIP and fiscal year 2010 balancing the budget.

Mr. Marinesi proposed an $800,000 earmark for federal register for the Regional Transportation Management System intended to support radio and dispatch equipment needs. In addition, staff has identified $3,387,020 from previously budgeted capital projects to offset the decrease in federal formula funds and meet new identified fiscal year 2011 capital needs. He explained that there are a total of 47 projects funded in fiscal year 2011. He also explained that the federal and nonfederal funding adjustments resulted in a total of $55.6 million available to be used for the CIP. Mr. Marinesi stated that the overall budget impact is a decrease in original funding and, combined with the addition of newly available funding, will provide a net increase of $19.1 million to the CIP.

Action Taken

Mr. Ewin moved to (1) approve the adjusted fiscal year 2011 Capital Improvement Program (CIP) with the revised federal and nonfederal funding levels; and (2) forward a recommendation to the San Diego Association of Governments (SANDAG) Board of Directors to approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2011 CIP recommendations. Mr. Ovrom seconded the motion, and the vote was 10 to 0 in favor.

REPORT ITEMS:

45. MTS: Operations Budget Status Report for May 2010

This item was deferred.

46. MTS: Blue Line Rehabilitation and Outreach Schedule

This item was deferred.

60. Chairman's Report

There was no Chairman's report.

61. Audit Oversight Committee Chairman's Report

There was no Audit Oversight Committee Chairman's report.

62. Chief Executive Officer's Report

There was no Chief Executive Officer's report.

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 scheduled for Thursday, August 19, 2010.

66. Adjournment

Chairman Mathis adjourned the meeting at 12:06 p.m. in memory of Gail Williams, Clerk of the Board, and her 24 years of service and devotion to the organization.

Chairperson
San Diego Metropolitan Transit System

Filed by:

Valerie Vizkelety

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

H:\Minutes - Executive Committee, Board, and Committees\Minutes - 2010\MINUTES - Board 07-15-10 FINAL.docx

METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL

MEETING OF (DATE): July 15, 2010 — CALL TO ORDER (TIME): 9:01 a.m.

RECESS: ______ — RECONVENE: ______

CLOSED SESSION: 9:08 a.m. — RECONVENE: 10:18 a.m.

PUBLIC HEARING: ______ — RECONVENE: ______

ORDINANCES ADOPTED: ______ — ADJOURN: 12:06 p.m.

BOARD MEMBER		(Alternate)		PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
CUNNINGHAM	☑	(Boyack)	☐	9:08 a.m.	
EWIN	☑	(Allan)	☐		
EMERALD	☑	(Faulconer)	☐	9:05 a.m.	11:55 a.m.
GLORIA	☑	(Faulconer)	☐		11:00 a.m.
JANNEY	☑	(Bragg)	☐		
LIGHTNER	☑	(Faulconer)	☐	9:03 a.m.	
MATHIS	☑	(Vacant)	☐		
MCCLELLAN	☐	(Hanson-Cox)	☑		
OVROM	☑	(Denny)	☐		
RINDONE	☑	(Castaneda)	☐		
ROBERTS	☑	(Cox)	☐		
RYAN	☐	(B. Jones)	☑		12:02 p.m.
SELBY	☑	(England)	☐		
VAN DEVENTER	☑	(Zarate)	☐		11:30 a.m.
YOUNG	☐	(Faulconer)	☐		☑

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

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL [illegible signature]