

MEETING OF THE BOARD OF DIRECTORS FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS)
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

December 8, 2011

MINUTES

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

Mr. Cunningham moved to approve the minutes of the November 10, 2011, MTS Board of Directors meeting. Mr. Young seconded the motion, and the vote was 9 to 0 in favor.

3. Public Comments

Susan Lesch – Ms. Lesch stated that she is a frequent rider from Clairemont. She stated that this is her third visit to request limiting cell phone use on the Bus and Trolley. She provided the Board with Metro Transit's Code of Conduct interior card used in Minneapolis which is attached to the final agenda material.

John L. Wood – He expressed his concerns with regards to Route 836 and 956. He stated that the bus and trolley do not coincide. He reported that the graffiti at Highway 94 Bridge needs to be removed.

Mikail Hussein – Mr. Hussein thanked MTS staff for a great outcome of the Taxicab elections. He talked about the two new members of the Taxicab Advisory Committee.

Rhonda Ciardetti – Ms. Ciardetti stated that on the last meeting she requested to be on the agenda to address the trolley noise near Loren Drive in La Mesa at the intersection of Severin and Amaya. She provided each member with a letter that she read a petition with 77 signatures and a map. The letter, petition, and map are attached to the final agenda material.

Chairman Mathis stated that the Public Utilities Commission (PUC) has looked into the issue and MTS is awaiting the report.

Peter Zschiesche – Mr. Zschiesche thanked staff for implementing the Taxicab elections. He stated that the two new members will be beneficial to the Taxicab Advisory Committee.

Special Announcements:

Paul Jablonski, Chief Executive Officer stated that MTS is involved in two holiday events. The first event is "Stuff the Bus" and supports the San Diego Food Bank. The event is being put on with coordination from Vons and North County Transit District. He stated that Saturday, December 10th there will be 10 buses at various Vons locations. MTS is also having a 7th annual bicycle program event next Thursday, December 15th at 10 a.m. at Cesar Chavez

Elementary (MTS employees adopted elementary school) to donate 110 bikes and helmets to first graders, and also provide gift certificates.

CONSENT ITEMS:

6. Bus Operator Uniforms Contract - Exercise Contract Option Years One and Two

Action would: (1) ratify MTS Doc. No. B0509.1-09 with Kingsbury Uniforms, Inc. for the addition of union patches for men's and women's polo shirts; (2) ratify MTS Doc. No. B0509.2-09 with Kingsbury Uniforms, Inc. for the addition/replacement of men's and women's polo shirts and oxfords uniform styles to better quality uniform garments at no additional cost to MTS; (3) ratify MTS Doc. No. B0509.3-09 with Kingsbury Uniforms, Inc. to give bus operators the option to buy a garrison belt; and (4) authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. B0509.4-09 with Kingsbury Uniforms, Inc. to exercise option years one and two for bus operator uniforms.

Ms. Rios asked what will happen to the current shirts with patches the drivers already have. Chairman Mathis stated that the patches will be added to the existing uniforms and patches. Chairman Mathis passed around a new Vintage Trolley patch for members to look at.

7. Federal Transit Administration 5311 Program of Projects

Action would approve Resolution No. 11-18 authorizing the use of \$234,837 of Federal Transit Administration (FTA) Section 5311 funds for operating assistance in nonurbanized areas.

8. Finalized Internal Audit Report on SDTC Revenue Management

Action would receive an internal audit report on San Diego Transit Corporation's (SDTC's) Revenue Management.

9. Siemens Light Rail Vehicle (LRV) Procurement - Contract Amendment

Action would authorize the CEO to execute MTS Doc. No. L0914.7-10, which would authorize Siemens to: (1) add an instructor's plug receptacle to the 57 LRVs being purchased; (2) add a front-end fender to the 57 LRVs; and (3) adjust the sales tax rate paid under the agreement.

10. Investment Report - October 2011

Action would receive a report for information.

11. Legal Services - Contract Award

Action would authorize the CEO or appropriate staff persons to execute contracts on an as-needed basis to attorneys and firms from the prequalified list for MTS and its subsidiaries.

12. Federal Transit Administration 5316 Grant Applications

Action would adopt Resolution No. 11-17 authorizing the CEO to submit Job Access and Reverse Commute (JARC) applications for fiscal years 2012 and 2013 for Federal Transit Administration (FTA) Section 5316 funding.

13. Taxicab Advisory Committee Member Election Results

Action would ratify the appointment of two new members of the Taxicab Committee as stated in the results of the Taxicab Advisory Committee (TAC) member election.

Chairman Mathis recognized and congratulated the two new members of the Taxicab Committee which are Mr. Berhanu Lemma and Mr. Hussein Nuur.

14. Discontinuance of Route 830 - Murphy Canyon Premium Express

Action would approve the discontinuance of Route 830.

15. Insurance Brokerage and Consultation Services - Contract Amendment

Action would authorize the CEO to enter into MTS Doc. No. G1035.2-07 with BB&T John Burnham Insurance Services to extend the existing insurance brokerage and consultation services contract (MTS Doc. No. G1035.1-07) for an additional six-month period.

16. State Transit Assistance (STA) Claims

Action would adopt Resolution No. 11-19 approving fiscal year (FY) 2012 State Transit Assistance (STA) claims.

17. Trapeze Software - Sole-Source Contract Award

Action would authorize the CEO to execute MTS Doc. No. B0569.0-12 with Trapeze Software Group, Inc. for INFO-IVR and ATIS Real-Time software and implementation services.

Action on Recommended Consent Items

Mr. McClellan moved to approve Consent Agenda Item Nos. 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17. Mr. Ewin seconded the motion, and the vote was 12 to 0 in favor. Mr. Young was out of the room.

CLOSED SESSION:

24. None.

NOTICED PUBLIC HEARINGS:

25. None.

DISCUSSION ITEMS:

30. Comprehensive Annual Financial Report (CAFR) (Tom Lynch)

Ernie Ewin, Chairman of the Audit Oversight Committee, stated that the final CAFR is complete; the action is to accept the report and provide comments. He addressed the Board about what questions the Board should be asking during different stages of the audit. He mentioned the four questions directed to the Board:

1. If the Board is satisfied that the process followed in preparing and auditing the financial statements was reasonably designed to produce accurate and reliable financial information?
2. Do you have reason to question the integrity or confidence of the members of management or outside auditors that would affect your ability to rely on the information that is being provided to you?
3. Do you know anything that would cause you to question the accuracy of the disclosures to the relevant portion of the financial statements that you've reviewed or would indicate that there may be risk that has not yet been identified?
4. In reviewing the relevant portion of the financial statements, are there any red flags that should be brought to the attention of management for which you would like further explanation even though this is the final report to which you may have actual knowledge which would lead you to believe that the financial statements contains some materially misleading information?

Mr. Ewin stated that these responsibilities lie here with the Board. He stated that this is the fifth time that this has been done as a formal process with an oversight committee and thanked members of the audit oversight committee and in advance the members of management who have performed their duties appropriately. He stated that if there are any questions, please ask so that it can be resolved.

Linda Musengo, Finance Manager stated that the Comprehensive Annual Financial Report (CAFR) for the years ending June 30, 2011, and 2010 has been presented to the Audit Oversight Committee, and the recommendation was that the CAFR be presented to the Board. Ms. Musengo introduced Gary M. Caporicci and Ken H. Pun of Caporicci & Larson to give the highlights of the CAFR.

Mr. Pun, CPA with Caporicci & Larson (C&L), gave a PowerPoint presentation on the scope of work for the audit performed by C&L that included the audit of MTS's financial statements and the reporting responsibility.

Mr. Pun gave an overview of MTS's management responsibilities, C&L's responsibilities, and summary of C&L's audit approach, which included year-to-year comparisons of specific account balances. He stated that the assessment determined that MTS is a low-risk auditee, which means that there is no need to test a high number of transactions in order to determine that the numbers and disclosures are accurate.

Mr. Pun reviewed C&L's unqualified audit opinion stating that financial statements are fairly presented in all material respects, significant accounting policies have been consistently applied, estimates are reasonable, and disclosures are properly reflected in the financial statements.

Mr. Pun stated that the audit resulted in no disagreements with management, no material errors or irregularities were discovered, and no significant deficiencies or material weaknesses were determined. He provided a brief overview of the financial statement sections of the audit that included the introductory, financial, and statistical sections.

Mr. Pun stated that compared to last year, the balance sheet is consistent. As of June 30, 2011, MTS has approximately \$1.5 billion in total assets and \$243 million in total liabilities with a net result of \$1.2 billion in net assets. He added that the total revenue is \$268 million and total operating expenses are \$299 million. He noted that there is a decrease in the net assets of \$4.2 million due to loss of TransNet funding.

Mr. Pun summarized statements of cash flow from operating activities, which were consistent with 2010. He reviewed cash flows from operating activities, noncapital financing activities, capital, related financing activities, and investing activities.

Gary M. Caporicci of Caporicci and Larson reported on the pension plan schedule of funding progress for MTS, San Diego Trolley, Inc. (SDTI), and San Diego Transit Corporation (SDTC). He also noted that there is a significant change from prior year of the amortization of net pension asset and he also stated that the unfunded portion of pension plans will be considered a liability. He concluded his report with a review of the new Governmental Accounting Standards Board (GASB) pronouncements, the AICPA Auditing Standards Board, GASB Exposure Draft Pension Accounting and Financial Reporting. He explained the fundamental approach, liability recognition, actuarial assumptions, projection of future benefit payments, discount rate, attribution method, and measurement of plan assets, expense recognition, disclosures, and recognition.

Ms. Emerald requested the auditor to elaborate more on the GASB change. Mr. Caporicci responded that the unfunded portion of the pension plan is considered a liability.

Mr. Ewin asked are there any areas in the financial statements including the notes to which you believe we could be more explicit or transparent to provide more clarity to help better understand our financial statements. Mr. Caporicci responded none. Describe any situations on which you believe that management has attempted to circumvent the spirit of GAAP or has yet to comply with GAAP. Mr. Caporicci responded no situations at all. How would you compare the organization's financial reporting with that of comparable entities which you are familiar? Mr. Caporicci responded outstanding. Are there any questions we have not asked you or that have not been asked which you would like us to ask. Mr. Caporicci responded none.

Mr. Ewin stated that it is important to recognize that the MTS management team is not only looking at the day to day operations but is looking ahead of the curve. He stated that MTS has a number of obligations that it must deal with that are tied to LIBOR and to number of other indexes. Mr. Ewin explained LIBOR. He stated that he appreciates what management has done. He asked the Board to look at Roman numeral viii to see the Certificate of Achievement for Excellence in Financial Reporting and recognized the excellent staff that are on top of this and take it very seriously and the audit has proven that. Mr. Ewin asked the management staff do the financial statements contain deviation from GAAP. Ms. Musengo and Mr. Telfer both replied no. Are you satisfied that an appropriate audit was performed by the independent auditor? Ms. Musengo and Mr. Telfer both replied yes. Any questions that we should ask you that we haven't? Ms. Musengo and Mr. Telfer both replied no.

Mr. Castaneda asked if there is way that he could look at multiple years of past financial statements. Ms. Musengo directed the Board to look at the schedules on page 73 and 74 of the CAFR where it shows seven years of comparative data and that schedule will over time be expanded to a total of ten years and will be a rolling ten years that will be presented every year.

Mr. Mathis congratulated the member of management for an excellent report.

Mr. Roberts acknowledged the service of Ernie Ewin, Chairman of the Audit Oversight Committee. Mr. Mathis echoed Mr. Roberts comment.

Action Taken:

Mr. Roberts moved to receive a report on the CAFR. Ms. Emerald seconded the motion and the vote was 15 to 0 in favor.

31. FY 2011 Final Budget Comparison (Tom Lynch)

Tom Lynch, Controller, presented a Power Point to the Board of the FY 2011 final year-end budget comparison. He reported that on an overall basis operating income was \$544,000 positive to budget. MTS did not receive all its subsidy revenues as anticipated causing non-operating revenue to have unfavorable variance of \$656,000. He reported that operating revenue was favorable to the budget by \$946,000 and operating expenses was unfavorable by \$402,000 with an overall basis of \$176,000.

He reported that total subsidy revenue was unfavorable by \$741,000 and other non-operating revenue/expense was favorable by \$85,000 and total non-operating revenue was unfavorable by \$656,000.

He reported that the balance of the contingency reserve as of June 30, 2010, was \$21 million. For FY 2011, MTS had an excess of expenses over revenues of \$190,000. After adjusting for interest, other adjustments, and the income or loss from Taxicab Administration and SD&AE, the change for the year is negative \$199,000. He reported that this represents a 9.3% of MTS's FY 12 operating budget and MTS has historically set a goal to have the reserve at 10% level of its annual operation budget.

Action Taken:

Ms. Emerald moved to approve the use of \$190,000 in contingency reserves to balance the FY 2011 operating budget. Mr. Minto seconded the motion and the vote was 15 to 0 in favor.

32. Cart, Stroller, and Cargo Requirements (Claire Spielberg)

Paul Jablonski, Chief Executive Officer introduced the item and pointed out that MTS is not trying to implement a new Board policy and stated that this is an operating policy to guide operations in efficiencies, effectiveness, and compliance with regulations and laws. This is an issue that is nationwide and there was a recent webinar sponsored by APTA where over 100 systems were onboard on this issue. MTS staff has done a lot of research and outreach to other systems in collaboration in trying to come up with an operating policy. This is a product of MTS own success and change, a few years ago when MTS had hi-floor buses and rail cars it was much more difficult for people to access the vehicles. Most of the buses now are low-floor,

the rail cars on the Green line are low-floor and soon MTS will have low-floors cars everywhere so it has made it much easier for people to board with wheelchairs, carts and strollers. MTS has taken action to modify the vehicle interiors to accommodate the riders. MTS anticipate putting this in effect and have ongoing dialogue with the operators and field supervisors to make sure that MTS is sensitive to customers, especially people with disabilities so that they are able to access the vehicles.

Claire Spielberg, Chief Operating Officer, provided an overview on how the project came about. She stated that the new rules for riding include not taking carts off of the system; this is to modify the size of the cart. She introduced Jeff Codling, Contract Services Administrator, who presented a Power Point on the cart, stroller, and cargo rules and procedures. He provided the findings on carts vs. wheelchair on Routes 3 and 929. He reported that the number of carts, strollers, and cargo is substantially higher versus wheelchairs. MTS surveyed 100 drivers and reported the same issue. During this time MTS started to receive complaints about wheelchair customer pass-ups due to capacity, carts and strollers causing trip hazards, and cargo disputes. He provided several slides showing riders with different types of cargo, strollers, carts, etc. He noted that not only are the carts large but they are overloaded and create safety and trip hazards.

Mr. Codling stated that on the June 23, 2011, the MTS Accessible Services Committee (ASAC) had a discussion and provided feedback on the proposed rules. He explained Title 13, Sec 1216c of the California Code of Regulations and noted that the important requirement is "*In no event shall aisles, doors, steps, or emergency exits be blocked.*". He explained the next steps in developing the new rules. He explained the proposed MTS Cart, Stroller, and Cargo Rules. He emphasized how important safety and security is to everyone. He showed a life size sample of the cart that won't be allowed. He provided a slideshow of passengers with large bags of recycle cans and with multiple cargos taking up seating.

Mr. Codling reported that MTS Bus started a demo project that TriMet, another transit agency, had great success with. MTS removed one set of forward facing seats on the bus, and designated it as a cart stroller area to allow the larger carts and strollers on the bus, away from the aisles and wheelchair area. MTS Bus tried it on the busier routes and it has been successful and there have not been any complaints. Drivers, riders, and supervisors reported that it has been doing well and would like to expand to more routes. This creates more space for the wheelchairs and other senior disabled riders in the front and keeps people out of the emergency exits. He also reported that MTS is working with the seat manufacturer to get flip seats that will provide optional cart or stroller space.

He reported that there is no change to the existing Bike Policy and exceptions for riders with disabilities will be accommodated as required by the American with Disabilities Act (ADA) and Route 992 (Airport Shuttle). He provided several more slides from other transit agencies having the same issues. He stated that the rules that MTS developed will help with capacity and that MTS is ahead of the other agencies and they are reaching out to MTS on how to develop their own policies.

Ms. Spielberg added that having too many packages and carts means MTS is not in compliance with federal and state regulations.

The Board engaged in discussion regarding drivers handling the new rules and providing workshops; stroller limitations; providing public outreach to riders, homeless advocates and the Alpha Project; safety and compliance; check-in pilot program; painting lines in the bus to distinguish cargo, strollers, and carts; folding strollers and securing babies and not sitting on the lap; bikes on trolleys blocking exits; accommodating riders with cans that are in non-leaking bag, crushing the cans, and in the right container; behavior modification; timeframe of the roll out of the proposed rules; provide public outreach to all board members; follow up with the Board and the public.

Public Speaker:

Kim Alcantar – Ms. Alcantar explained her background and stated that bus drivers should pull down the ramp when riders have carts and cargo. She stated that riders does not need restriction, they need compartments to place their items. She stated that she liked the cart, stroller area.

Action Taken:

Mr. McClellan moved to approve new cart, stroller, and cargo requirements for transit riders under existing MTS “Rules for Riding” language. Mr. Ovrom seconded the motion and the vote was 13 to 0 in favor, with Mr. Cunningham and Mr. Young absent.

REPORT ITEMS:

45. Operations Budget Status Report for October 2011 (Mike Thompson)

Mike Thompson, Budget Manager, presented to the Board an Operations Budget Status Report for FY 12 through October 31, 2011. He explained that the year-to-date FY 12 MTS consolidated operations revenue was favorable by \$665,000 or 2.1%. He reported that passenger revenue is favorable by \$820,000 and ridership is at budget by 0.3%. He reported that passenger fare revenue is favorable by \$717,000 or 2.3% and total consolidated operations expenses were unfavorable by \$79,000.

He reported that in total consolidated operations had net operating variances that were favorable by \$587,000 or 1.4%. MTS Administration and other activities were favorable by \$720,000, resulting in an overall favorable variance of \$1,307,000 or 3.1%.

He reviewed the on-going concerns dashboard, presented FY 12 numbers and updated projections for energy prices and passenger levels. He stated that the State Transit Assistance (STA) has awarded MTS \$3.9 million and how to utilize the funds will be discussed at the next Budget Development Committee meeting.

Action Taken:

Mr. McClellan moved to receive an operations budget status report for October 2011. Mr. Castaneda seconded the motion and the vote was 14 to 0 in favor, with Mr. Cunningham absent.

60. Chairman's Report

Chairman Mathis mentioned that there are changes to the San Diego Vintage Trolley schedule. Wayne Terry, Chief Operating Officer reported that the service is expanded starting the week

before Christmas on Saturday and Sundays to 11 a.m. to 4 p.m., Tuesdays and Thursdays from 10 a.m. to 2 p.m. to see if it brings any additional interest.

Ms. Lightner asked how the special events are doing. Chairman Mathis stated that there has not been any, since it has not been marketed. Ms. Lightner stated that she would like feedback on the first event.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin, Chairman of the Audit Oversight Committee made no report.

62. Chief Executive Officer's Report

Paul Jablonski made no report.

63. Board Member Communications

There were no Board Member communications.

64. Additional Public Comments on Items Not on the Agenda

Doris Cole - Ms. Cole stated that the trolley is not helpful to the partially sighted and she is not able to distinguished between the Blue, Orange, and Green line because they are all red. She requested that MTS placed a glowing light to indicate each color and the name of the color of the line on the side of the trolley.

Chairman Mathis thanked Ms. Cole for bringing this issue to the attention of MTS. Mr. Young stated there should be a sign on the side of the trolley. Wayne Terry, Chief Operating Officer stated that there is a sign on the side of the trolley and there is a sign on the front and on both sides of the car body. He stated that there is visually impaired mat on the first door after the wheelchair lift sign. If you stand at on that mat, the driver will announce which trolley line is pulling up.

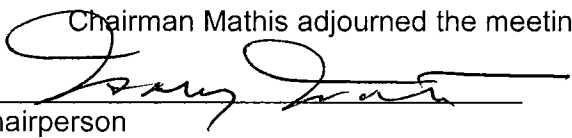
Mr. Young provided feedback on how to address the issue. Chairman Mathis responded that staff will look into how to address this issue more effectively. Mr. Minto echoed Mr. Young's comments. Mr. Castaneda stated that he would like staff to report back on this issue.

65. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, January 19, 2012.

66. Adjournment

Chairman Mathis adjourned the meeting at 11:14 a.m.


Chairperson
San Diego Metropolitan Transit System

Filed by:

Valerie Vizkelety for
Office of the Clerk of the Board
San Diego Metropolitan Transit System
Cathy Brown

Approved as to form:

Kelli Lander
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): December 8, 2011

CALL TO ORDER (TIME): 9:03 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: _____

RECONVENE: _____

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 11:14 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
CASTANEDA	<input checked="" type="checkbox"/> (Rindone) <input type="checkbox"/>	9:28 a.m.	
CUNNINGHAM	<input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/>		10:54 a.m.
EWIN	<input checked="" type="checkbox"/> (Sterling) <input type="checkbox"/>		
EMERALD	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:09 a.m.	
ENGLAND	<input checked="" type="checkbox"/> (Gastil) <input type="checkbox"/>		
GLORIA	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:08 a.m.	
JANNEY	<input type="checkbox"/> (Bragg) <input checked="" type="checkbox"/>		
LIGHTNER	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:05 a.m.	
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCCLELLAN	<input checked="" type="checkbox"/> (Hanson-Cox) <input type="checkbox"/>		
MINTO	<input checked="" type="checkbox"/> (McNelis) <input type="checkbox"/>		
OVROM	<input checked="" type="checkbox"/> (Denny) <input type="checkbox"/>		
RIOS	<input checked="" type="checkbox"/> (Zarate) <input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:20 a.m.	
YOUNG	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD:

Catherine R.

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

Allen Gade