

MEETING OF THE BOARD OF DIRECTORS FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS)
AND
FINANCE WORKSHOP

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

March 15, 2012

MINUTES

FINANCE WORKSHOP

1. Roll Call

Chairman Mathis called the Finance Workshop to order at 9:05 a.m. A roll call sheet listing Board member attendance is attached.

2. a. Fiscal Year 2013 Capital Improvement Program

Mike Thompson, Budget Manager, gave the Board a presentation on the MTS Fiscal Year 2013 Capital Improvement (CIP) Program. He talked about the operating and capital budget background for State Transit Assistance (STA) funds, and explained that due to the volatile nature of STA funds did not include the funds in the original fiscal year 2011 or 2012 budgets. He reported that an estimated \$19.7 million is coming to MTS from the CA State Controller and staff is proposing to include \$6 million in the FY13 operating budget. He stated in FY09, the agency moved additional federal funds into operations for preventative maintenance, in FY10 the Dexia variable-rate debt was refinanced with Transportation Development Act (TDA) capital, and in FY12 the operating budget closure included \$9.7 million of non-recurring revenues. He then talked about service levels and staffing levels and stated that service has been cut four years in a row with staffing levels reduced by 120 full-time equivalents (FTE). Lastly, he talked about the increasing SDTC pension rates and the payroll costs associated with them.

Mr. Thompson talked about the development of the FY13 CIP priority list and provided a list of proposed projects along with the capital funding levels required for each project, with \$74,930,000 total funding available. He also provided a list of CIP categories and assigned a level of funding and percentage of total funding assigned to each category. He reported that there are 43 projects needing funding through the CIP. He then talked about the projected revenues for the CIP for FY13 through FY17.

Mr. Jablonski mentioned that a line item for light rail vehicle procurement has been added to the CIP for FY 13 in the amount of \$28 million. He explained that during the procurement process of the new S70s, MTS purchased 57 cars and has the option to purchase 8 more under the previous procurement. He explained further the importance of purchasing an additional 7 cars to run 3-car trains on the Orange Line as capacity is reached, running low-floor cars on the outside and one regular car in the middle. He stated that he will work with SANDAG to try and get additional funding for the vehicles and has requested a quote from Siemens.

Mr. Jablonski also discussed the need for expanding the CNG bus fleet as diesel busses retire. He explained the a permanent structure on the 5.5 acres in the East County needs to be built for maintenance and fueling and bringing the busses up to a state-of-good repair. He also mentioned concern for spending the roughly \$8 million in discretionary grants in case funding becomes de-obligated.

Mr. Alvarez shared his concern for spending money on a barrier system at the San Ysidro Transit Center when the final build out for the intermodal center is several years away.

Action Taken

Mr. Ewin moved to: (1) approve the fiscal year 2013 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels. As the federal appropriation figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels; (2) recommend that the San Diego Association of Governments (SANDAG) Board of Directors approve the submittal of Federal Section 5307 and 5309 applications for the MTS fiscal year 2013 CIP; (3) approve the transfer of \$4,923,930 from previous CIP projects to the fiscal year 2013 CIP; and (4) recommend that the SANDAG Board of Directors approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2013 CIP recommendations. Mr. Minto seconded the motion, and the vote was 13 to 0 in favor with Ms. Emerald and Mr. Young absent.

b. Fiscal Year 2012 Midyear Adjustment and Fiscal Year 2013 Preliminary Projections

FY 2012 Midyear Adjustment

Mr. Thompson gave the Board a report on the FY 12 midyear budget adjustment and reported that passenger revenue remains favorable. He also reported that sales tax revenue is expected to increase, and nonrecurring funding is expected to be \$9.7 million. He stated that expenses were favorable for personnel and purchased transportation. He stated that due to increases in revenues and decreases to expenses there is a \$5.3 million favorable variance over the FY 12 budget. Mr. Thompson stated that the staff recommendation for the favorable variance is an additional payment on the Dexia variable-rate debt. He explained that the projected balance on July 2012, would be \$7.5 million and after a payment of \$5 million the balance would be down to \$2.5 million.

There was talk amongst Board members regarding the formal policy for funding reserves and direction was given to staff to research the policy held by similar transit agencies.

Action Taken

Mr. Minto moved to approve Resolution No. 12-6 amending the fiscal year (FY) 2012 operating budget for MTS, San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), MTS Contract Services, Chula Vista Transit, and the Coronado Ferry, including using excess revenues over expenses as an additional payment toward the Dexia variable pension debt (projected to be a payment of \$5.2M) saving an estimated

\$240K in interest expenses over the next two years. Mr. McClellan seconded the motion, and the vote was 13 to 0 in favor with Ms. Emerald and Mr. Young absent.

FY 2013 Preliminary Projections

Mr. Thompson discussed the FY 13 preliminary projections. He first discussed key assumptions regarding revenue, including passenger revenue with a 2% ridership growth, recurring subsidy revenue including sales tax and STA revenue, and nonrecurring subsidy revenue such as CNG credits.

Sharon Cooney, Chief of Staff, discussed service improvements and provided a preliminary proposal as well as expected outcomes. She also briefly talked about the type of service improvements staff would be analyzing.

Mr. Thompson discussed key assumptions regarding operating expenses, including additional service expenses, additional personnel expenses due to three open contracts for labor negotiations, an increase in contract services expenses including a fixed-rate increase with Veolia, and lastly, energy expenses increasing due to rising rates of diesel and gasoline. Mr. Thompson reported a \$5,867 million unfavorable variance when calculating total revenue less expenses for the amended FY 12 budget compared to the FY 13 projections. He then talked about the items of concern pertaining to the FY 13 budget and provided a budgetary timeline.

There was discussion by the Board regarding the increase of service levels and the costs associated with additional services. Some Board members expressed their concern for erring on the side of caution and not overextending services causing patrons to be disappointed if new service cannot be maintained in future years.

Action Taken

Mr. Cunningham moved to receive a report regarding the preliminary projections for the FY 2013 operating budget and provide guidance on budgetary closure. Mr. McClellan seconded the motion, and the vote was 12 to 0 in favor with Ms. Emerald and Messrs. Minto and Young absent for the vote.

3. Public Comments

There were no public comments.

4. a. Next Meeting Date

The next MTS Finance Workshop is May 17, 2012, at 9:00 a.m.

b. Adjournment

Chairman Mathis adjourned the Finance Workshop at 10:25 a.m.

BOARD MEETING

5. a. Roll Call

Chairman Mathis called the Board meeting to order at 10:25 a.m. A roll call sheet listing Board member attendance is attached.

b. Approval of Minutes

Mr. McClellan moved to approve the minutes of the February 16, 2012, MTS Board of Directors meeting. Mr. Cunningham seconded the motion, and the vote was 13 to 0 in favor with Ms. Emerald and Mr. Young absent.

c. Public Comments

Thomas Brill – Mr. Brill suggested that the fire extinguisher be relocated on buses so that the front wheel well can be used for passenger storage.

CONSENT ITEMS:

6. SDTI System Safety and Security - Audit Report

Action would receive an internal audit report on San Diego Trolley, Inc.'s (SDTI's) system safety and security.

7. HSQ iLON System Upgrade and Recertification - Sole Source

Action would authorize the CEO to execute MTS Doc. No. L1069.0-12 with HSQ Technology for a system upgrade and recertification of the HSQ iLON fire-safety system.

8. San Diego Transit Corporation (SDTC) Passenger Services - Audit Report

Action would receive internal audit reports on SDTC passenger services.

9. HMS Construction - Job Order Contract

Action would authorize the CEO to execute a Job Order Contract (JOC) with HMS Construction Corporation using MTS Doc. No. PWL136.0-12 for as-needed railroad signal, overhead catenary, and track-work construction services.

10. The ARC of San Diego Interior Bus-Cleaning Services - Exercise Contract Option Years One and Two

Action would authorize the CEO to execute MTS Doc. No. B0517.1-09 with The ARC of San Diego to exercise option years one and two for interior bus-cleaning services.

11. FY 2012 Caltrans Transportation Planning Grant Programs

Action would approve Resolution No. 12-5 authorizing the CEO to submit applications and enter into a contract (if awarded) with the California Department of Transportation (Caltrans) for FY 2012 Transportation Planning Grant Programs.

12. Property Insurance Renewal

Action would authorize the CEO to renew the property insurance coverage for MTS, San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI) with the California State Association of Counties - Excess Insurance Authority (CSAC-EIA) Property Insurance Program, effective March 31, 2012, through March 31, 2013, with various coverage deductibles of \$25,000 (basic), \$100,000 (collision-related), and \$1,500,000 (roads, bridges, and tunnels).

13. Banking and Line of Credit Services

Action would authorize the CEO to execute MTS Doc. No. G1413.0-12 and award a contract to JPMorgan Chase Bank, N.A. for banking and line of credit services for MTS.

Action on Recommended Consent Items

Mr. Minto moved to approve Consent Agenda Item Nos. 6, 7, 8, 9, 10, 11, 12, and 13. Mr. McCellan seconded the motion, and the vote was 13 to 0 in favor with Ms. Emerald and Mr. Young absent for the vote.

NOTICED PUBLIC HEARINGS:

25. None.

DISCUSSION ITEMS:

30. None.

REPORT ITEMS:

45. Trolley Rehabilitation Project Update

John Haggerty of the San Diego Association of Governments (SANDAG) gave the Board an update on the Trolley Rehabilitation Project. He provided a map of the trolley improvements and a station construction schedule for the Blue and Orange Line Improvement Corridor. He briefly talked about the budget and how the funds have been distributed. He also summarized a schedule for corridor delivery. He covered the schedule of milestone segments within the Blue & Orange Line Improvement Corridor. Mr. Haggerty then talked about the project status in terms of design and construction and showed some examples of communication notices distributed to the public.

Mr. Haggerty talked about the construction work in progress and the percentage of completion for each project. He explained the phases of construction for the Green Line Extension

Stations. He provided photographs of the 12th & Imperial Transit Center – Bayside platform, Washington Street Station platform, the Gaslamp Quarter Station, America Plaza Station, and the C Street Double Crossover improvements that were completed at the end of February. Mr. Haggerty gave an update on the Blue Line Crossovers and Signaling Project. He provided pictures of the work being done near the 8th Street Station and near Main Street.

Mr. Haggerty gave the Board an update on the Orange Line Stations. He showed pictures of the platform improvements in progress at the 47th Street Station, Encanto/62nd Street Station, and the Massachusetts Avenue Station. He also showed pictures of the trenching work in progress at the Lemon Grove Station and the track replacement work taking place at the 32nd & Commercial Station and the Euclid Avenue Station.

Mr. Haggerty briefly updated the Board on the Light Rail Vehicle Procurement status stating that 21 vehicles have been delivered thus far with 10 vehicles in production at the plant.

Action Taken

Mr. McCellan moved to receive a report for information. Mr. Ovrom seconded the motion, and the vote was 13 to 0 in favor with Ms. Emerald and Mr. Young absent.

46. System Ridership and Revenue

Agenda Item trailed to the April 19, 2012, Board Meeting.

47. Service-Performance Monitoring Report for July 2011 through January 2012

Devin Braun, Senior Transportation Planner, gave the Board a report on FY 2012 midyear service performance. He reported that ridership has increased by 6.1% since last fiscal year, and the average of weekday passengers are up 7.1%, which is an increase of 18,694 daily. He also reported that MTS has increased its system-wide riders per revenue hour to 45.0, a 5.6% increase and is operating at 59.9 passengers per in-service hour, which is a 6.8% increase over FY 11.

Mr. Braun stated that on-time performance has seen a slight decline in the last fiscal year due to increased ridership, traffic, wheelchair boardings, and construction. He stated that preventable accident rates have remained very low, with MTS Bus having a slight decline in the accident rate while Contract Services and MTS Trolley had a slight increase. He then explained how customer complaints are tracked and stated that complaints per 100,000 passengers remained flat for bus-contracted routes while MTS Trolley has seen a decrease. He then talked about the in-service miles and stated that MTS operates approximately 3,070 more in-service miles per week due to slightly increased service levels. Lastly, Mr. Braun explained the peak-vehicle requirement for MTS Bus to have an overall decrease of one vehicle while Contracted Services increased by one peak bus in the same time period attributed to added running time and scheduling efficiencies.

Action Taken

Mr. Castaneda moved to receive a report for information. Ms. Bragg seconded the motion, and the vote was 12 to 0 in favor with Ms. Emerald and Messrs. McClellan and Young absent.

60. Chairman's Report

Chairman Mathis made no report.

61. Audit Oversight Committee Chairman's Report

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

62. Chief Executive Officer's Report

Mr. Jablonski reported his recent travel to Washington D.C. for the APTA Legislative Conference Sunday and Monday to learn more about the status of the Transportation Reauthorization.

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.

CLOSED SESSION: *(Taken Out of Order)*

24. Closed Session Items

The Board convened to Closed Session at 11:03 a.m.

- a. CLOSED SESSION - PUBLIC EMPLOYEE PERFORMANCE EVALUATION
CHIEF EXECUTIVE OFFICER Pursuant to California Government Code Section 54957
- b. CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code section 54957.6
Agency-Designated Representative - Jeff Stumbo
Employee Organization - Transit Enforcement Officers Association

The Board reconvened to Open Session at 12:00 p.m.

Oral Report of Final Actions Taken in Closed Session

Karen Landers, General Counsel, reported the following:

- a. The Board conducted a performance evaluation of the CEO and authorized the Board Chair to execute Amendment No. 5 of the Executive Employment Agreement (EEA) awarding a one-time, one-year fringe benefit pursuant to paragraph 4(b) of the EEA with a vote of 11 to 0 in favor with Messrs. Cunningham, Gloria, and Young and Ms. Emerald absent.

Note: Action on Amendment No. 5 will be re-noticed for the April 19, 2012, Open Session Agenda.

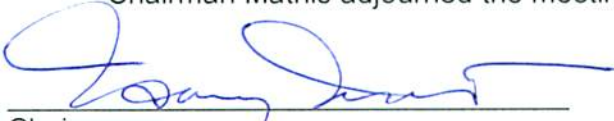
- b. The Board ratified a tentative agreement on a new collective bargaining agreement between SDTI and the Transit Enforcement Officers Association with a unanimous vote by 12 to 0 in favor with members Messrs. Gloria and Young and Ms. Emerald absent.

65. Next Meeting Date

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

66. Adjournment

Chairman Mathis adjourned the meeting at 12:02 p.m.



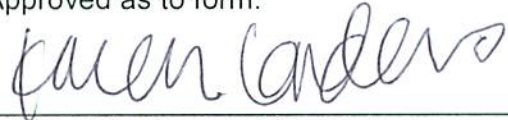
Chairperson
San Diego Metropolitan Transit System

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
AND
FINANCE WORKSHOP
ROLL CALL

MEETING OF (DATE): March 15, 2012

CALL TO ORDER (TIME): 9:05 AM

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 11:03 AM

RECONVENE: 12:00 PM

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 12:02 PM

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ALVAREZ	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:07 AM	
BRAGG	<input checked="" type="checkbox"/> (King) <input type="checkbox"/>		
CASTANEDA	<input checked="" type="checkbox"/> (Rindone) <input type="checkbox"/>	9:13 AM	
CUNNINGHAM	<input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/>		11:50 AM
EWIN	<input checked="" type="checkbox"/> (Arapostathis) <input type="checkbox"/>		
EMERALD	<input type="checkbox"/> (Faulconer) <input type="checkbox"/>		
ENGLAND	<input checked="" type="checkbox"/> (Gastil) <input type="checkbox"/>	9:11 AM	11:55 AM
GLORIA	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		11:03 AM
MATHIS	<input checked="" 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"/>	9:11 AM	
YOUNG	<input type="checkbox"/> (Faulconer) <input type="checkbox"/>		

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

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: Allen Cox