

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

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

May 17, 2012

FINANCE WORKSHOP

1. Roll Call

Chairman Mathis called the Finance Workshop to order at 9:04 a.m. A roll call sheet listing Board member attendance is attached.

2. a. Proposed Fiscal Year 2013 Operating Budget

Mike Thompson reported on the sales tax revenue through the third quarter of fiscal year 2012 which is up 7.4% from fiscal year 2011. He stated that regional sales tax receipts are projected to grow by 5.5% year over year for fiscal year 2012 and by an additional 4.5% in fiscal year 2013. In total, MTS's share of TransNet and TDA revenues are projected to increase by approximately \$5.2 million in fiscal year 2013.

He reported on subsidies to include Federal Revenues which are projected flat for FY13. He explained a shift of \$3 million of Federal and TDA between operations and the Capital Improvement Program (CIP) for a net impact of zero. He explained STA Revenue FY13 receipts are projected at \$19.7 million.

The budget includes \$5.8 million shifted from the CIP. \$5 million is in TDA and \$0.8 million is the final quarterly payment from FY 2011 for CNG credits.

Mr. Thompson stated that passenger revenues have the highest correlation with employment and changes in ridership. The latest economic indicators reflect employment growth expected to be 1.6% to 2.0% next year. Currently the budget assumption is 2.6% growth in passengers for fiscal year 2013 due to economic growth and service increases.

Mr. Thompson reported on the fiscal year 2013 revenue projection. He stated that operating revenue has increased to \$99 million-an increase of 1.9%. Total revenues are growing by \$3.4 million or 1.4% to \$241.5 million. He reported on expense assumptions for personnel which are increasing by \$6.9 million or 6.2%, Health and Welfare costs are increasing by \$1.1 million or 9.2%, and Pension plan costs are increasing by \$1.4 million or 9.9%. He reported that there are increases in diesel and gasoline, while CNG and Electricity are trending downwards. Almost 75% of the revenue miles are using CNG or electricity.

He reported that outside services are increasing by \$1.6 million or 2.2%. He stated that projections are that total expenses are \$241.5 million, an increase of \$8.6 million or

3.7%. The cost per passenger is increasing by 1.0%. In the consolidated income statement for fiscal year 2013, the recurring revenues are projected at just under \$235 million, an increase of \$6.5 million or 2.8% and total expenses are at \$241.5 million, an increase of \$8.6 million or 3.7%. This leads to a net-operating deficit of \$6.6 million, which is being covered by non-recurring revenue in the form of TDA Capital of \$5 million, \$800,000 in CNG credits and \$800,000 in STA to balance the budget.

He explained non-recurring revenue has been used for the last four years to balance the operating budget. Each year the amount has been reduced, starting with \$15.4 million in fiscal year 2010 to \$6.6 million in fiscal year 2013. He described opportunities and concerns for MTS to reach sustainability. He explained that the current target for reserves is 10-15% and that the reserve balance is on target.

Ms. Emerald commented that during a transit summit in City Heights there was a common theme of discounted youth passes at \$36 per month being unaffordable for many patrons. She requested staff to look at the merit pool and use it towards subsidy for ridership.

Mr. Roberts explained that the merit pool is not a net number and that the Budget Development Committee (BDC) will be looking at the pension fund and may require employees to begin contributing. He stated that the agency needs to be cognizant of salaries and stay competitive.

3. Public Comments (*Taken Out of Order*)

April Allen – Ms. Allen lives in Chula Vista and she explained that at the H Street Trolley Station there are not proper public restroom facilities. She stated that transient people urinate and defecate near the fence. She has brought with her a petition of over 400 signatures to get proper restrooms at that trolley station.

Action Taken

Mr. Ewin moved to: (1) receive a report on the proposed combined MTS fiscal year 2013 operating budget; and (2) recommended that staff hold a public hearing on June 21, 2012, with the purpose of reviewing the proposed combined MTS fiscal year 2013 operating budget. Mr. Ovrom seconded the motion, and the vote was 14 to 0 in favor with Mr. McClellan absent.

b. Service Enhancement Implementation

Sharon Cooney, Chief of Staff, stated that services cut over the last four years have not been restored in entirety, but that the plan is to implement up to \$6 million in service enhancements in FY 2013. She explained that staff analyzed service levels based on a number of factors keeping in mind Board Policy 42 to create a customer focused, efficient, connected transit network. She stated that service enhancements respond first to crowding and demand issues. She stated that most of the changes are on the busiest routes, during peak times, and the improvements have been targeted to provide the best return on the investment.

Ms. Cooney explained that the agency is very efficient in terms of passenger farebox recovery. She reviewed the recommended phasing of service increases with the first phase will taking place in June 2012. She added that the bulk of changes will take place in September 2012, representing roughly \$2.0 - \$2.5 million in subsidy increases on routes with heavy loads. The third phase will take place in January 2013, after having another look at the budget with implementation being the CEO's discretion.

Dennis Desmond, Senior Transportation Planner, explained that service was added to routes where overcrowding existed and where frequency needed to be restored. Routes that previously were not doing well were not considered.

Mr. Desmond reviewed Saturday and Sunday frequency improvements and other Sunday improvements that will take place in September 2012. He reviewed January 2013 improvements that included weekday, Saturday and Sunday frequency improvements, including some Sunday service restorations that represent a hole in the system.

Ms. Cooney explained that some of the decisions were based on network connectivity, demand, and to make sure we have service to certain areas on Sundays that previously had to be cut because of budget cuts.

Mr. Castaneda commented that he is working with the Southwestern Community College Board of Directors to get information from students relative to transit around the campus and would like to bring the findings back to staff to be included in the next phase of service enhancements.

Various board members had comments and questions for staff regarding specific routes and route frequencies.

Action Taken

Mr. Castaneda moved to approve the recommended service enhancement implementation plan. Ms. Emerald seconded the motion, and the vote was 13 to 0 in favor with Mr. Cunningham and Mr. McClellan absent.

4. Adjournment

Chairman Mathis adjourned the Finance Workshop at 10:23 a.m.

BOARD MEETING

5. a. Roll Call

Chairman Mathis called the Board meeting to order at 10:23 a.m. A roll call sheet listing Board member attendance is attached.

b. Approval of Minutes

Mr. Gloria moved to approve the minutes of the April 19, 2012, MTS Board of Directors meeting. Mr. Minto seconded the motion, and the vote was 14 to 0 in favor with Mr. McClellan absent.

c. Public Comments

Joe Gotcher – Mr. Gotcher commented that a female bus driver was using the restroom at 9th C Street and the lock failed exposing her to a male passerby. He stated that the restroom facilities need to be addressed at many locations and they are particularly gruesome for the female drivers.

Steve Williams – Mr. Williams commented that he has witnessed bus drivers telling individuals that they have the option to give up their spot for wheelchairs boarding. He requested that the drivers not tell the rider that they have the option, and just tell them that they need to move.

Stead Burton – Mr. Burton stated that driving a bus for MTS is the most unappreciative job he has ever had. He stated that drivers do not get holidays – just days off. He commented that not many people would be able to survive off of \$500 a week. He explained that he has worked 4 hour splits every weekday but spends all day at work because he cannot afford the gas to drive back home to relax in between his shifts. He stated that the contract presented was unfair and that pensions should not be on the chopping block.

John Wood – Mr. Wood commented that construction on the Orange Line had caused the shelter at Massachusetts Avenue to be taken down before the rainy season. He stated that he does not see work being done so the contractor must not care about getting the job done. He stated that the construction causes the gates to be down even longer at the Lemon Grove Depot Trolley station and the trolleys enter and exit the station very slowly. He also stated that the mechanics need to be trained properly.

Lorraine Leighton – Ms. Leighton commented on her concern for Route 833 as she was refused by a driver to be loaded on the bus. She took a different bus on the same route and when she was loaded, the ramp was stuck and broken for over an hour causing a delay.

CONSENT ITEMS:

Chairman Mathis stated that Consent Items 9 and 14 had been pulled from the Consent Agenda.

6. San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports
Action would receive the San Diego and Imperial Valley (SD&IV) Railroad, Pacific Southwest Railway Museum Association (Museum), and Carrizo Gorge Railway, Inc. (Carrizo) quarterly reports for information.

7. Unallocated Transportation Development Act Funds for Transit-Related Projects (Santee Trolley Square Clock Tower)

Action would approve the use of \$100,000 in unallocated Transportation Development Act (TDA) funds currently held by the County of San Diego for new display panels and a controller computer for the City of Santee's Clock Tower at Santee Trolley Square.

8. Investment Report – March 2012

Action would receive a report for information.

9. *Pulled from Consent Agenda.*

10. Insurance Brokerage and Consulting Services Contract

Action would authorize the CEO to award MTS Doc. No. G1397.0-12 to Alliant Insurance Services, Inc. for insurance brokerage and consulting services effective July 1, 2012.

11. Purchase of Blank Compass Cards

Action would authorize the CEO to execute a contract to purchase smart card fare media.

12. Internal Audit Report on SDTI Revenue Management

Action would receive an internal audit report on San Diego Trolley, Inc. (SDTI) revenue management.

13. Internal Audit Report on Information Technology-Network Access/Security

Action would receive an internal audit report on Information Technology (IT)-Network Access/Security for information.

14. *Pulled from Consent Agenda.*

Action on Recommended Consent Items

Ms. Emerald moved to approve Consent Agenda Item Nos. 6, 7, 8, 10, 11, 12, and 13.
Mr. Alvarez seconded the motion, and the vote was 13 to 0 in favor with Mr. Cunningham and Mr. McClellan absent.

Discussion of Consent Agenda Items 9 and 14:

9. Consent to Assignment of Carrizo Gorge Railway, Inc. Operating Rights to Pacific Imperial Railroad, Inc. (PIR)

Karen Landers, General Counsel, reported that this consent item pertains to the Desert Line freight railroad with virtually no activity. Since 2002, MTS has had an operating agreement for the line with Carrizo Gorge Railway Inc. (CZRY). In recent years there

have been shareholder disputes with the outcome being the assignment of those operating rights to Pacific Imperial Railroad Incorporated (PIR).

She explained that this item was to consent to that assignment which would then amend the operating agreement which would recognize PIR is now the driving force behind that operating agreement. She explained that there has been a new shareholder lawsuit trying to stop this potential action. Ms. Landers stated that she has reviewed the litigation objecting to the agreement assigning PIR as the operator. The court has asked to maintain the status quo until a formal hearing takes place on June 8 to decide the merit of objections to determine if the assignment agreement was validly entered. PIR is actively seeking investment and development of the line, and MTS encourages that development.

Ms. Landers recommends the Board approve the proposed Consent Item contingent on the outcome of the court June 8, 2012, hearing. If the court denies an injunction, staff will execute the agreement as is. If the court approves an injunction, staff would bring the item back to the Board to reevaluate before any other action is taken.

Michael Gardiner – Mr. Gardiner represents the minority shareholders of CZRY and his preference is that the MTS Board of Directors takes no action today; however, if the action is subject to the June 8 hearing, he believes it to be fair.

Mitchel Beauchamp – Mr. Beauchamp has been involved in the operation of the Eastern Railroad for 18 years and stated that it is a legacy left to San Diego by John D. Spreckels. He gave a brief synopsis of the transfer in operating rights and stated that the ownership would be transferred to a monopoly allowing hazardous cargo to travel into Tijuana. He stated that the leadership needs to change organically.

Reena Deutsch – Ms. Deutsch is a historian of the Desert Line and wanted to clarify the background history of the railroad. In June 1983, the Desert Line was closed to rail traffic as two tunnels partially collapsed after fires. The Carrizo Gorge Railway, Inc. was formed in 1997, to open up the Desert Line, obtain freight rights and potentially run excursions. Very little freight activity has taken place because tunnels needed to be rebuilt which took until December of 2004. At that time Carrizo Gorge began revenue service for the first time in over 21 years and continued to do so since the change of management. She believes the founders of Carrizo Gorge Railway had the spirit of John D. Spreckels. She hopes that Board members will learn the backstory of the Desert Line before voting.

Randall Polcyn – Mr. Polcyn is the Director of the Carrizo Gorge Railway and wanted to make note that the court order shows that Carrizo Gorge is not in violation of a temporary restraining order and is restrained from participating in any assignment of operating rights. He feels that the court will go forward with an injunction at the June hearing.

Mr. Jablonski stated that staff will prepare an educational agenda item for a forthcoming Board meeting.

Action Taken

Mr. Minto moved to approve Amendment No. 4 to the Carrizo Gorge Railway, Inc. CZRY) 2002 Operating Agreement (MTDB Doc. No. S200-02-194) consenting to the assignment of CZRY's rights and obligations to Pacific Imperial Railroad, Inc. (PIR) contingent upon the outcome of the June 8, 2012, court hearing. Mr. Alvarez seconded the motion, and the vote was 12 to 0 in favor with Ms. Emerald and Mr. Cunningham and Mr. McClellan absent.

14. Exercise Option to Purchase One Light Rail Vehicle from Siemens Industry, Inc.

John Wood – Mr. Wood questioned why the agency was deciding to purchase an additional vehicle from Siemens.

Mr. Jablonski explained that after analyzing the spare ratio when operating 3-car trains on the Orange Line due to increased demand, the ratio would be at 18%. Federal Transit Administration guidelines recommends a 20% spare ratio; purchasing the additional vehicle would provide a compliant spare ratio. Mr. Jablonski stated that Siemens took \$50,000 off the last car providing MTS a large discount for the final option car.

Action Taken

Mr. Alvarez moved to authorize the CEO to execute MTS Doc. No. L0914.9-10 to exercise an option for one additional light rail vehicle (LRV). Mr. Gloria seconded the motion, and the vote was 11 to 0 in favor with Ms. Emerald and Messrs. Cunningham, Minto and McClellan absent.

CLOSED SESSION:

Chairman Mathis stated that the Closed Session Agenda Item has been pulled.

24. Closed Session Items

- a. CLOSED SESSION –CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a): Kit Dawson v. San Diego Transit (Workers' Compensation Appeals Board Case No. ADJ 755792 [SDO 0261150])

NOTICED PUBLIC HEARINGS:

- 25. None.

DISCUSSION ITEMS:

30. Newsracks on MTS-Owned or-Controlled Property

Sharon Cooney, Chief of Staff, talked to the Board about the regulation of newsracks on MTS-owned property. She explained that MTS does not currently have a policy regulating newsrack placement and the dissemination of print material on its property. She talked about current

experiences with newracks and the difficulties associated with installing and removing them, often causing damage to MTS property.

Ms. Cooney explained that Board Policy 61 has been created to address newracks. Some specifics of the Policy 61 include: requiring a permit before placing a newrack on MTS property; placement of newracks in specified locations - keeping passenger safety in mind; newracks would not be placed in fare-paid zones; a requirement that newracks comply with installation and maintenance standards; and removal of newracks for cause.

Discussion ensued between Board members regarding advertising rights and potential revenue for MTS as well as a discussion about First Amendment rights and infringement.

Action Taken

Mr. Gloria moved to approve Policy No. 61 to regulate newracks on MTS-owned or –controlled property contingent upon the word “homosexuality” being stricken from section 61.5 of the policy. Mr. Castaneda seconded the motion, and the vote was 9 to 0 in favor with Ms. Emerald and Messrs. Alvarez, Cunningham, McClellan, Minto and Young absent.

31. San Diego Vintage Trolley – The First Six Months

Wayne Terry, Chief Operating Officer of Rail, provided the Board with an update on the San Diego Vintage Trolley Silver Line. He explained that at the May 26, 2011, Board meeting, the MTS Board approved the Vintage Trolley operating plan and budget and accepted ownership of PCC Car 529. The Board approved a \$2.00 per-trip cash fare, independent from MTS regular fare structure. The initial operating schedule provided service between 10:00 a.m. and 2:00 p.m. on weekends and holidays and the schedule was expanded starting December 20, 2011, to include Tuesday and Thursday midday service. He explained that the PCC 529 car has been very reliable as it has been removed from service only three times for minor problems. The car was in one minor accident on December 22, 2011, at 1st and C Streets. Mr. Terry stated that estimated daily ridership of the Silver Line would increase significantly with incorporation into the regular fare media. The proposed action would accept all applicable MTS fare media on the Silver Line and would eliminate the onboard cash payment option.

Action Taken

Mr. Gloria moved to receive a report for information and approve incorporating President's Conference Committee (PCC) Car 529 into the regular MTS fare structure. Ms. England seconded the motion, and the vote was 9 to 0 in favor with Ms. Emerald and Messrs. Alvarez, Cunningham, McClellan, Minto and Young absent.

REPORT ITEMS:

45. City/Park Streetcar Feasibility Study Update and Final Report

Agenda Item trailed to next Board meeting.

46. Service Performance Monitoring Report for July 2011 through March 2012

Agenda Item trailed to next Board meeting.

60. Chairman's Report

Chairman Mathis invited all the Board Members to participate in the Coca-Cola Scholarship Award ceremony directly following the Board meeting.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin, Chairman of the Audit Oversight Committee, stated that there will be an Audit Oversight Committee meeting on June 14.

62. Chief Executive Officer's Report

Mr. Jablonski reported that he had attended the APTA Bus & Paratransit Conference in Long Beach. He stated that in the latest bond release of Prop 1B funds MTS potentially will receive \$90 million for the Blue/Orange Line project.

63. Board Member Communications

There were no Board member communications.

64. Additional Public Comments on Items Not on the Agenda

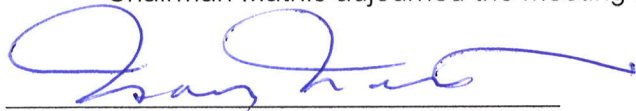
There were no additional public comments.

65. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, June 21, 2012.

66. Adjournment

Chairman Mathis adjourned the meeting at 11:32 a.m.



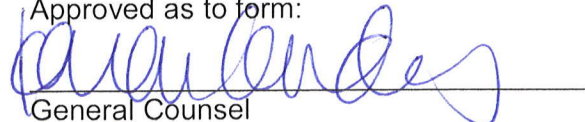
Chairperson
San Diego Metropolitan Transit System

Filed by:



Clerk of the Board
San Diego Metropolitan Transit System

Approved as to form:



General Counsel
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet

H:\Minutes - Executive Committee, Board, And Committees\MINUTES - Board 5-17-12

METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
ROLL CALL

MEETING OF (DATE): May 17, 2012

CALL TO ORDER (TIME): 9:04 AM

RECESS: _____

RECONVENE: _____

CLOSED SESSION: _____

RECONVENE: _____

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 11:32 AM

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ALVAREZ	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:10 AM	11:06 AM
BRAGG	<input checked="" type="checkbox"/> (King) <input type="checkbox"/>		
CASTANEDA	<input checked="" type="checkbox"/> (Rindone) <input type="checkbox"/>		
CUNNINGHAM	<input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/>		10:05 AM
EWIN	<input checked="" type="checkbox"/> (Arapostathis) <input type="checkbox"/>		
EMERALD	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		10:44 AM
ENGLAND	<input checked="" type="checkbox"/> (Gastil) <input type="checkbox"/>		
GLORIA	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/>		
MCCLELLAN	<input type="checkbox"/> (Ambrose) <input type="checkbox"/>		
MINTO	<input checked="" type="checkbox"/> (McNelis) <input type="checkbox"/>	9:10 AM	11:06 AM
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"/>		
YOUNG	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		11:24 AM

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

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: Allen Landers