Metropolitan Transit System

1255 Imperial Avenue, #1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

January 10, 2013

Executive Conference Room
9:00 a.m.

		ACTION RECOMMENDED
A.	ROLL CALL	
B.	APPROVAL OF MINUTES - December 6, 2012	Approve
C.	COMMITTEE DISCUSSION ITEMS	

1. East County Bus Maintenance Facility Architectural Design (Claire Spielberg) — **Receive**
   Action would receive a report for information on the East County Bus Maintenance Facility.

2. Trolley Renewal Project Update (Wayne Terry and John Haggerty from SANDAG) — **Receive**
   Action would receive a report for information.

3. San Diego Transit Corporation Employee Retirement Plan's Actuarial Valuation as of July 1, 2012 (Cliff Telfer) — **Approve**
   Action would forward a recommendation to the Board of Directors to receive the San Diego Transit Corporation (SDTC) Employee Retirement Plan's actuarial valuation as of July 1, 2012, and adopt the pension contribution rate of 36.106 percent for SDTC's pension plans in FY 14.

4. LOSSAN Joint Powers Authority and Managing Agency (Brent Boyd and Sharon Cooney) — **Approve**
   Action would forward a recommendation to the Board to: (1) approve by MTS Resolution No. 13-2 the amended Joint Powers Authority for the LOSSAN Rail Corridor Agency; and (2) direct staff to submit a proposal to become the LOSSAN Managing Agency.

5. 2013 State and Federal Legislative Programs (Sharon Cooney) — **Approve**
   Action would forward a recommendation to the Board of Directors to approve staff recommendations for 2013 state and federal legislative programs.

C. COMMITTEE DISCUSSION ITEMS - Continued

6.	Appointment of San Diego Association of Governments Transportation Committee Representative and Alternate (Sharon Cooney) Action would take nominations from the floor and elect and appoint a representative and an alternate from the MTS Board to serve on the San Diego Association of Governments (SANDAG) Transportation Committee for the 2013 calendar year.	Elect/ Appoint
7.	Taxicab Administration Contract Renewal (Sharon Cooney) Action would forward a recommendation to the Board of Directors to approve the draft "Eighth Amendment to Agreement for Administration of Taxicab and Other For-Hire Vehicle Regulations Between San Diego Metropolitan Transit System and City of San Diego" and authorize the Chief Executive Officer to negotiate the final contract.	Approve
8.	CLOSED SESSION - PUBLIC EMPLOYEE PERFORMANCE EVALUATION CHIEF EXECUTIVE OFFICER Pursuant to California Government Code Section 54957	Possible Action

D. REVIEW OF DRAFT JANUARY 17, 2013, BOARD AGENDA

E.	REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA Review of SANDAG Transportation Committee Agenda and discussion regarding any items pertaining to MTS, San Diego Transit Corporation, or San Diego Trolley, Inc. Relevant excerpts will be provided during the meeting.	Possible Action

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

G. PUBLIC COMMENTS

H. NEXT MEETING DATE: February 14, 2013

I. ADJOURNMENT

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

December 6, 2012

MINUTES

A. ROLL CALL

Chairman Mathis called the Executive Committee meeting to order at 9:04 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Minto moved for approval of the minutes of the October 11, 2012, MTS Executive Committee meeting. Mr. Ovrom seconded the motion, and the vote was 5 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. Trolley Renewal Project Update

Wayne Terry, Chief Operating Officer (Rail), introduced Eric Adams, Project Manager at San Diego Association of Governments (SANDAG) and gave the Executive Committee a PowerPoint presentation on the Trolley Renewal Project. He provided a status report on station construction for the Blue and Orange Line Improvement Corridor with a layout of the trolley stations that have been completed, are under construction, and planned construction. Mr. Terry discussed the project statuses in terms of construction, work completed, and work in progress. He provided photographs of the Green Line stations, Orange Line stations, Downtown stations, Blue Line Crossover and Signaling Projects and Blue Line Improvements. Mr. Terry presented information on the crossover and signaling project on the Blue Line. Mr. Terry stated that a shutdown of a string of stations would take place this weekend and the following weekend for signal testing. He indicated that all projects were on schedule.

Mr. Terry discussed the rail train and rail replacement in San Diego in March of next year (2013). He stated that by the end of December 2012 Fifth Avenue and Imperial Avenue will still be under construction and other stations will continue to have minor punch list items.

Mr. Terry reviewed the budget for the project.

Paul Jablonski, Chief Executive Officer commented that in regard to the implementation of low floor service at the Orange Line and Downtown stations, a ribbon-cutting ceremony was in the process of being planned at the Euclid Avenue Station after the first of the year in January 2013 as Euclid Avenue offers the greatest opportunity for the community to attend. He stated the specific information regarding the ceremony would be forthcoming to the Board as soon as a plan was established and agreed upon for the ribbon-cutting ceremony.

Mr. Jablonski stated that construction on the Civic Center Station was delayed due to an issue with the roofing material arriving from a special manufacturer on the east coast. The issues were due to problems in obtaining the correct synthetic materials. This issue has since been resolved and the materials are slated to arrive in January 2013.

Action Taken

Mr. Roberts moved to receive a report for information. Mr. Minto seconded the motion, and the vote was 5 to 0 in favor.

2. Transit Bus Procurement

a. 40-Foot Low-Floor CNG Transit Bus Procurement - Contract Award

Claire Spielberg, Chief Operating Officer (Transit Services), SDTC Management introduced Ernesto DeGuzman, Procurement Manager, who gave a PowerPoint presentation regarding the two concurrent bus procurements and who provided the Executive Committee with a recommendation for the Board to authorize Paul Jablonski, Chief Executive Officer, to execute MTS Doc. No. B0589.0-13 with Gillig, LLC for the purchase of 40-foot low-floor compressed natural gas (CNG) buses for a five-year period contingent upon the successful completion of the federally required Buy America audit. He commented on the pricing, funding and options to purchase additional buses.

Mr. Minto inquired about previous interaction with Gillig and asked if there were any problems with Gillig buses that had been utilized by MTS in the past. Discussion ensued by the Executive Committee and it was stated that Gillig was a good choice as they are a California company, are very selective with their bids, they consider the reputation of the agencies they do business with and offer competitive pricing. Positive feedback was provided during discussion on their operations and manufacturing ability.

Mr. Roberts inquired about the price increase on the option to purchase an additional 100 buses within the contract. Mr. Jablonski advised that a Manufacturer's Pricing Index was used in regard to pricing that it was a modest increase and the way prices are increased is explicitly stated in the contract.

Action Taken

Mr. Roberts moved for approval. Mr. Ovrom seconded the motion, and the vote was 5 to 0 in favor.

b. 60-Foot Low-Floor CNG Transit Bus Procurement - Contract Award

Ernesto DeGuzman, Procurement Manager, gave a PowerPoint recommendation to the Executive Committee with a recommendation for the Board to authorize Paul Jablonski, Chief Executive Officer, to execute MTS Doc. No. B0570.0-12 with New Flyer of America, Inc. for the purchase of 60-foot low-floor articulated compressed natural gas (CNG) buses for a five-year period contingent upon the successful completion of the federally required Buy America audit. He commented on pricing and funding similar to the 40-foot bus procurement and options to purchase additional buses.

Mr. Jablonski commented that the price would change by the following week's Board meeting on December 13, 2012 as both procurements were expedited so they could be awarded prior to year end. A price decrease of approximately $5 million dollars will be reflected when presented to the full Board the following week.

Mr. Roberts questioned why we obtained only one bid. Ms. Spielberg advised that due to the accelerated timeline other manufacturers were unable to bid. Mr. Jablonski commented that there is only one other manufacturer that could provide a quote of this type and magnitude. Mr. Jablonski then advised the Board that when one or few bids are received there is a procedure in validating the price received to confirm that it is not greater than what other agencies have procured for buses with similar features, etc.

Mr. Minto inquired as to what was done with the older buses. Ms. Spielberg advised they were sold at auction, there was not much value recouped and occasionally parts were taken and used on buses of the same type still in circulation.

Mr. Jablonski advised that the new SANDAG buses were of increased price in comparison to our line service buses on a per-unit basis as they have more costly features.

Action Taken

Mr. Minto moved for approval. Mr. Ovrom seconded the motion, and the vote was 5 to 0 in favor.

3. Taxicab Administration

Harry Mathis reported on Taxicab Administration contracts that MTS currently holds with several cities that include safety, training and standards as MTS performs regulatory functions under these particular contracts. Mr. Mathis advised the contracts expire in July 2013, and stated that it is time to begin to think about how to proceed from a negotiation and public policy standpoint with input from the Board and Executive Committee. He introduced Sharon Cooney to provide background and information on the staff position in order to make a recommendation to the Board.

Sharon Cooney, Chief of Staff, introduced John Scott, Taxicab Manager. Ms. Cooney provided an overview regarding the activities MTS engages in under the existing contracts such as taxicab regulations, permits and policy guidelines. Ms. Cooney emphasized the cities set the policy guidelines and MTS carries out the administrative functions.

Ms. Cooney reported on the operations budget for the fiscal year including a healthy reserve for litigation and legal issues that frequently arise.

Ms. Cooney reported on facilities where the taxicab inspections and administrative offices are located. She discussed inspections, enforcement and compliance. She stated that due to the significant amount of failures MTS will be addressing this issue with the Taxicab Advisory Committee.

Ms. Cooney discussed field enforcement including taxi stand monitoring, assistance to police, community outreach, special events staffing, fielding complaints and administrative hearings and appeals for non-compliance and safety violations. She reported on permit administration and emphasized that the permit holders are held accountable for any violations.

Ms. Cooney stated that MTS plays a role in maintaining the health of the industry in the region balanced fares, providing dispatcher training, conducting studies and passenger surveys and currently focusing on and working with the industry on implementing in-vehicle cameras in lieu of event recorders. She stated MTS is looking at also implementing better complaint procedures. She advised that the communication with stakeholders is an essential part of MTS's business and discussed concerns regarding the needs of the industry and committees created to communicate with stakeholders in order to meet these increasing needs.

Ms. Cooney provided information on the contract renewals. She stated that MTS is seeking direction from the Board as to what should be memorialized in the current contracts regarding policy and MTS's functions. She stated the contracts need to include additional details to provide clarity. She advised that there have been a number of requests for changes from the Board, Taxicab Advisory Committee and private citizens asking MTS to change the scope of their responsibilities. Ms. Cooney discussed some current policy issues with regard to lease drivers, fleet age and type and the process for better communication between the stakeholders and the Board regarding driver issues and needs. She stated that one option is to renew some but not all of the contracts and discussed possible options resulting in a sustainable budget. She stated that MTS could also determine they do not want to renew any of the contracts and no longer want to be in the business of taxicab administration.

Mr. Roberts stated that MTS needs to decide what agreement is in the best interest of MTS in regard to taxicab administration and to advise the cities of MTS's wishes and if they did not agree with MTS's terms they would be free to take the contract back. He advised the current contracts have become very problematic and MTS needs tighter contracts to work under and is hopeful a mutually beneficial joint decision will be made by MTS and the cities.

Mr. Jablonski advised that our next steps are to look at the contracts, identify the issues, articulate the new terms in the contracts and bring to the Board for review.

Mr. Mathis mentioned that there is great concern regarding roles of MTS being an arbitrator, deciding labor disputes, and MTS does not have a management/employee relationship with the drivers. He stated that he sees our goal as one to improve the industry and to not get into areas that do not coincide with our mission as it's been an excessive drain on staff time and has cost MTS a significant amount of money taking away from our public transport responsibility.

Mr. Jablonski commented that MTS wants the taxicab industry to follow the same suit as transit and be accessible, affordable, clean, and available in all neighborhoods in the city and this is the general premise to operate under moving forward.

<u>Public Speakers</u>:

Margo Tanguay – Ms. Tanguay discussed current problems with the lease program, lease drivers, cab inspections and suggested that MTS renew the current contracts.

Tony Hueso – Mr. Hueso of USA Cab voiced concerns and provided recommendation to the Board of MTS to renew the contracts and strengthen the relationship with the City of San Diego. He advised the transportation industry doesn't understand the issues and there is a problem with misinformation and laws being broken. He stated the cities and MTS need to look at the total picture and take a comprehensive approach as to how to address these issues.

Akbar Majid – Mr. Majid discussed the relationship between the drivers and permit holders. He recommended renewing the contracts with the exception of MTS regulating the relationship between drivers and permit holders.

Action Taken

Mr. Minto moved to receive a report for information. Mr. Roberts seconded the motion, and the vote was 5 to 0 in favor.

The Executive Committee convened to Closed Session at 10:30 a.m.

4. CLOSED SESSION – CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8

   Property: The San Diego and Arizona Eastern Railway Company (SD&AE) Desert Line from approximate Mile Post 60 to approximate Mile Post 130 (Division to Plaster City) in San Diego and Imperial Counties
   Agency Negotiators: Karen Landers, General Counsel, Tim Allison, Manager of Real Estate Assets; and Paul Jablonski: Chief Executive Officer
   Negotiating Parties: Pacific Imperial Railroad, Inc. (PIR)
   Under Negotiation: Price and Terms of Payment for Assignment of Operating Rights

5. CLOSED SESSION – CONFERENCE WITH LABOR NEGOTIATORS

   Pursuant to California Government Code Section 54957.6
   Agency-Designated Representative: Harry Mathis, Chairman
   Unrepresented Employee: Chief Executive Officer

The Executive Committee reconvened to Open Session at 11:11 a.m.

Oral Report of Final Actions Taken in Closed Session

Karen Landers, General Counsel, reported the following:

4. The Committee received a report for information.

5. The Committee received a report for information.

D. REVIEW OF DRAFT DECEMBER 13, 2012, BOARD AGENDA

Recommended Consent Items

6. Investment Report

   Action would receive a report for information

7. Classroom Day Tripper Program Follow-up – Audit Report

   Action would receive Internal Audit's report on the Classroom Day Tripper Program.

8. San Diego Transit Corporation (SDTC) Noncontract Pension Formula

Action would: (1) amend the Retirement Plan for Noncontract Employees of the San Diego Transit Corporation (SDTC) to comply with the California Public Employees' Pension Reform Act of 2013 (PEPRA); and (2) adopt Resolution No. 12-20 implementing the "pick-up" provisions of Section 414(h)(2) of the Internal Revenue Code with respect to the Retirement Plan for noncontract employees of San Diego Transit Corporation.

9. Transmissions and In-Frame Engine Overhaul Services - Contract Award

   Action would authorize the CEO to: (1) execute MTS Doc. No. B0595.0-13 with Dartco Transmission Sales and Service for the provision of transmission and in-frame engine overhaul services for Group III-Transmission Rebuilds for a three-year base period with 2 one-year options; and (2) exercise each option year at his discretion.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

There was no SANDAG Transportation Committee agenda discussion.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no comments.

G. PUBLIC COMMENTS

There were no Public Comments.

H. NEXT MEETING DATE

The next Executive Committee meeting is scheduled for January 10, 2013 at 9:00 a.m. in the Executive Committee Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 11:13 a.m.

____

Chairman

Attachment: A. Roll Call Sheet

EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) December 6, 2012 CALL TO ORDER (TIME) 9:04 AM

RECESS ______ RECONVENE ______

CLOSED SESSION 10:30 AM RECONVENE 11:11 AM

ADJOURN 11:13 AM

BOARD MEMBER		(Alternate)		PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
YOUNG	☑	(Gloria)	☐		11:00am
MATHIS	☑				
OVROM	☑	(Bragg)	☐		
ROBERTS	☑	(Cox)	☐		
MINTO	☑	(Cunningham)	☐		
Transportation Committee Rep Slot (Mathis)					

SIGNED BY THE CLERK OF THE BOARD: [signature]

CONFIRMED BY THE GENERAL COUNSEL: [signature]

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. C1

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

January 10, 2013

SUBJECT:

EAST COUNTY BUS MAINTENANCE FACILITY ARCHITECTURAL DESIGN (CLAIRE SPIELBERG)

RECOMMENDATION:

That the Executive Committee receive a report for information on the East County Bus Maintenance Facility.

Budget Impact

None at this time. Capital for the existing projects is covered by various federal, state, and local capital grants.

DISCUSSION:

East County Bus Maintenance Facility Expansion Project

The East County Bus Maintenance Facility is currently located in the El Cajon Industrial Park near Johnson Avenue and Vernon Way. MTS contracts with Veolia Transportation to operate 56 diesel-powered MTS-provided buses and 26 Veolia-owned commuter express buses from this facility. The San Diego Association of Governments (SANDAG) and MTS have been working with Parsons Brinckerhoff and Kimley-Horn and Associates to prepare plans, specifications, and estimates to redevelop the site. Design staff has finalized the architectural design of the new proposed facility. Staff from MTS and Parsons Brinckerhoff will provide a presentation showing the proposed design and updating the project status.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. C2

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

January 10, 2013

SUBJECT:

TROLLEY RENEWAL PROJECT UPDATE (WAYNE TERRY AND JOHN HAGGERTY FROM SANDAG)

RECOMMENDATION:

That the Executive Committee receive a report for information.

Budget Impact

None.

DISCUSSION:

The Trolley Renewal Project is a system-wide rehabilitation and upgrade of the existing Trolley system. The project includes the purchase of new low-floor vehicles, the rehabilitation and retrofit of stations and transit centers throughout the system, new crossovers and upgraded signaling, replacement of the overhead catenary wire, track work and rail replacement, slope repair, and traction power substation replacement and rehabilitation. Construction and infrastructure work is currently underway in downtown San Diego and on the Orange and Blue Lines. Staff will provide an update on the construction project.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. C3

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

January 10, 2013

SUBJECT:

SAN DIEGO TRANSIT CORPORATION EMPLOYEE RETIREMENT PLAN'S ACTUARIAL VALUATION AS OF JULY 1, 2012 (CLIFF TELFER)

RECOMMENDATION:

That the Executive Committee forward a recommendation to the Board of Directors to receive the San Diego Transit Corporation (SDTC) Employee Retirement Plan's actuarial valuation as of July 1, 2012, and adopt the pension contribution rate of 36.106 percent for SDTC's pension plans in FY 14.

Budget Impact

Board adoption of the pension contribution rate of 36.106 percent would result in an annual pension contribution of approximately $12,057,000.00.

DISCUSSION:

The actuarial valuation of the Retirement Plans of SDTC as of July 1, 2012, has recently been completed. The entire report is in Attachment A. The purpose of the actuarial valuation is to compute the annual pension contribution rate and to provide disclosures necessary for Governmental Accounting Standards Board (GASB) Statement No. 25.

This valuation was completed December 12, 2012, by EFI Actuaries and has produced an increase in the recommended contribution rate. The previous valuation (July 1, 2011) recommended a contribution rate of 30.686 percent of covered payroll. The July 2012 valuation recommends a 36.106 percent contribution rate. This contribution rate would be used for FY 14 budget year.

There are many factors that have an effect on the annual contribution rate. These factors include investment gains/losses, modifications in plan provisions, and demographic and actuarial assumption changes. The plan's actuarial experience during FY 12 was slightly favorable in aggregate; however, recognition of prior investment losses (especially those from FY 09) continues to put upward pressure on the plan's contribution rates. Changes to the plan due to collective barging and stemming from the passage of the Public Employees' Pension Plan Reform Act (PEPRA, AB 340) will significantly change the nature of future benefit payments to plan members. Due to this, the actuary has recommended changes to the actuarial method and to decrease the amortization period. A major change that needs to be pointed out is that all participants in the SDTC plans will be contributing to the plans as of January 1 2013. Therefore, the amount calculated represents a combined contributed rate for the employer and employee.

The following table details how the cost of the plan has changed since the last actuarial valuation.

	Cost in Dollars	Cost as % of Payroll
July 1, 2011	$9,995,241	30.686%
Expected change in cost based on prior valuation and deferred investment gains/losses	534,835	1.772%
Changes in cost due to investment experience from FY 2012	278,041	0.857%
Changes in cost due to demographic hires into the plan from July 1, 2009, to July 1, 2010	187,428	(0.387%)
July 1, 2010, contribution before any actuarial assumption changes	11,095,945	32.928%
Changes in cost due to recommended revisions in assumptions		
Changes in cost due to change in actuarial methods	619,879	1.856%
Changes in cost due to decreased amortization period	441,521	1.322%
July 1, 2012	$12,056,945	36.106%

The percentage of payroll cost shown above is based upon a member payroll of $33.4 million that the actuary projected for the FY 2013. The total employer and employee contribution will be based on the rates shown above multiplied by actual payroll, so the amount will differ from the amount in the table. During FY 13, the average employee contribution rate will be 3%.

Bob McCrory of EFI Actuaries will provide an overview of the report in more detail and be available for any questions.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Actuarial Report (EC Only Due to Volume)

Retirement Plans of San Diego Transit Corporation

Actuarial Review and Analysis as of July 1, 2012

Robert T. McCrory, FSA

Gregory M. Stump, FSA

Prepared December 21, 2012

EFI ACTUARIES | EFI ASSET/LIABILITY MANAGEMENT SERVICES, INC.

The nation's leader in plan-specific, interactive asset allocation optimization counseling

WASHINGTON, DC ● PHILADELPHIA ● SEATTLE ● SAN FRANCISCO

Contents

Summary of Results ***1***
Executive Summary 1
Purpose of the Report 1
Organization of the Report 2
Change in Plan Cost from July 1, 2011 to July 1, 2012 2
History of Plan Cost and Funding 4
Future Plan Costs 6
Some Reminders 9
Conclusion and Actuarial Certification 10

Section 1: Summary of Plan Provisions, Member Statistics, and Actuarial Assumptions ***11***

1.1: Brief Outline of Plan Provisions **12**
Definitions 12
Participation 13
Retirement Benefit 13
Disability Retirement Benefit 15
Pre-Retirement Death Benefit 16
Termination Benefit 17
Cost of Living Adjustments 18
Voluntary Early Retirement Program 18
DROP Program 18
Funding 18
Changes in Plan Provisions 19

1.2: Summary of Participant Data as of July 1, 2012 .... **20**

1.3: Actuarial Methods and Assumptions **22**

Section 2: Asset Information ***28***

2.1: Income Statement: July 1, 2011 through June 30, 2012 .... **29**

2.2: Computation of Actuarial Value of Assets **30**

Section 3: Actuarial Computations ***31***

3.1: Computation of Annual Contribution – Prior Method **32**

3.2: Computation of Annual Contribution – New Method **33**

Section 4: Disclosure Information ***34***

4.1: Schedules of Funding Status and Employer Contributions Required Under GASB Statement No. 25 .... **35**

Appendix I: Detailed Demographic Information ***37***

Appendix II: Benefit Tables......51

Summary of Results

Executive Summary

This actuarial review and analysis of the Retirement Plans of San Diego Transit Corporation (the Plan, the Corporation) as of July 1, 2012 has produced an increase in recommended contributions. Actuarial experience during the year 2011-12 Plan year was slightly favorable in aggregate; however, recognition of prior investment losses (especially fiscal year 2009) continues to put upward pressure on the contribution rates.

A comparative summary of the current status of the Plan as a whole is as follows. Note that the total contribution – employer and employee – is shown in dollars and as a percent of member payroll. The employer contribution is this total, reduced by member contributions received.

	July 1, 2011	July 1, 2012
Plan Membership		
Active	758	763
Inactive	237	244
Receiving Benefits	794	805
Total	1,789	1,812
Average Valuation Salary	$ 45,565	$ 46,576
Assets ($ millions)		
Market Value (MVA)	$ 149.4	$ 139.9
Valuation Assets (AVA)	$ 151.1	$ 147.8
Valuation Results ($ millions)		
Actuarial Accrued Liability (AAL)	$ 236.9	$ 235.4
Unfunded Accrued Liability	85.8	87.6
Funding Ratio (AVA/AAL)	63.8%	62.8%
Funding Ratio (MVA/AAL)	63.1%	59.4%
Contributions		
Total Normal Cost	$ 2.5	$ 3.9
Total Contribution	$ 10.0	$ 12.1
Total Contribution as a percentage of payroll	30.686%	36.106%

Purpose of the Report

This Report presents the results of an actuarial review of the Retirement Plans of San Diego Transit Corporation as of July 1, 2012. The purposes of this review are:

- To compute the annual contribution required for the 2013-14 fiscal year to fund the Plan in accordance with actuarial principles, and
- To present those items required for disclosure under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

Organization of the Report

This Report is organized in six sections:

- This Summary of Results presents the conclusions of the Report and discusses the reasons for changes since the last review.
- Section 1 below contains an outline of the Plan provisions on which our calculations are based, statistical data concerning Plan participants, and a summary of the actuarial assumptions employed to compute liabilities and costs.
- Section 2 presents information concerning Plan assets, including an income statement from July 1, 2011 to June 30, 2012.
- Section 3 contains the actuarial calculation of liabilities and Plan cost.
- Section 4 contains pension plan information required under Statement No. 25 of the Governmental Accounting Standards Board.
- Two appendices contain detailed demographic information (Appendix I) and tables used to compute benefits for current Plan members (Appendix II).

Change in Plan Cost from July 1, 2011 to July 1, 2012

The table below shows how the cost of the Plan has changed since the last actuarial review.

	Cost in Dollars	Cost as % of Payroll
July 1, 2011 (Section 3.1, Column 1)	$ 9,995,241	30.686%
Expected change in cost based on prior valuation and deferred investment gains/losses	534,835	1.772%
Change in cost due to investment experience from July 1, 2011 through June 30, 2012	278,041	0.857%
Change in cost due to demographic and salary experience	187,428	(0.387%)
Change in cost due to changes in actuarial methods	619,879	1.856%
Change in cost due to decreased amortization period	441,521	1.322%
July 1, 2012 (Total employee + employer) (Section 3.1, Column 2)	**$ 12,056,945**	**36.106%**

The percentage of payroll cost shown above is based on a member payroll of $33.4 million projected for the 2012-13 fiscal year. The actual total employer and employee contribution will be based on the rates shown above multiplied by actual payroll, so the amount may differ from the amount in the table.

The computations of Plan liabilities and cost are based on the Plan provisions and on the actuarial assumptions as of July 1, 2012. To the best of our knowledge, as of July 1, 2012 there have been only minor changes in the Plan provisions since the July 1, 2011 valuation. However, changes in the Plan due to collective bargaining and stemming from the passage of the Public Employees' Pension Plan Reform Act (PEPRA, AB 340) will significantly change the nature of future benefit payments to Plan members. The actuarial funding method that will be used to compute contributions to the Plan has been changed as a result of the pending Plan changes; the new funding method is described in more detail below.

We have computed the cost of the Plan using an asset smoothing method to reduce contribution volatility. The smoothing method spreads investment gains and losses over five years. The resulting Actuarial Value of Assets is constrained to remain within 20% of the market value. If the Plan cost had been computed based on the market value of assets as of June 30, 2012, the Corporation contribution would have been higher by about 2% of payroll, or $700,000.

Current Plan provisions are outlined in Section 1.1. The changes in Plan provisions resulting from PEPRA and collective bargaining are highlighted in yellow. A summary of actuarial methods and assumptions is presented in Section 1.3, and the computation of the Actuarial Value of Assets is shown in Section 2.2.

In reviewing the experience of the past year, we can see that it continues to be dominated by investments. Before considering the effect of changes in the actuarial funding method, Plan cost increased by almost exactly $1 million, of which about 80% was due to a combination of the continued recognition of 2008-09 asset losses and a loss of 3.4% on assets during the past year.

The following is a more detailed analysis of the changes in Plan cost since July 1, 2011.

- Past investment losses continue to be recognized.

  Based on the prior Review as of July 1, 2011, we projected actuarial liabilities and smoothed assets one year forward, to July 1, 2012. The result was a projected increase in Plan cost, caused almost exclusively by the scheduled recognition of one fifth of the fiscal 2009 investment losses. This factor alone produced an increase in the contribution rate of about 1.77% of payroll, which is roughly $535,000.

- Investment returns were below the actuarial assumption.

  As detailed in Section 2.1, the return on Plan assets on a market value basis was approximately negative 3.4% during the 2011-12 fiscal year, or about 11% below the 7.5% assumed return. This loss is recognized gradually, one-fifth immediately, and four-fifths deferred for recognition over the next few years, in accordance with the actuarial smoothing method, designed to reduce cost volatility.

This investment loss and partial recognition of such caused a cost increase of 0.86% of pay, or about $280,000.

- Demographic experience was close to expected in aggregate.

  The demographic experience of the Plan from July 1, 2011 to June 30, 2012 – rates of retirement, death, disability, and termination – was close to expected. The impact of population and salary changes was a decrease in the cost of the Plan of 0.387% of pay.

- Changes in Actuarial Funding Methods

  As noted above, due to changes in the benefit structure from collective bargaining and the passage of AB 340, the Plan will change significantly after July 1, 2012. The changes will include both the demographics of the member population and the benefits payable to new members. As will be discussed below, these changes will require corresponding changes in the actuarial methods used to fund the Plan. The new funding methods, and the reasons for adopting them, will be discussed in more detail below.

  Overall, the new funding methods produced an increase in Plan cost of 3.18% of pay, or over $1 million.

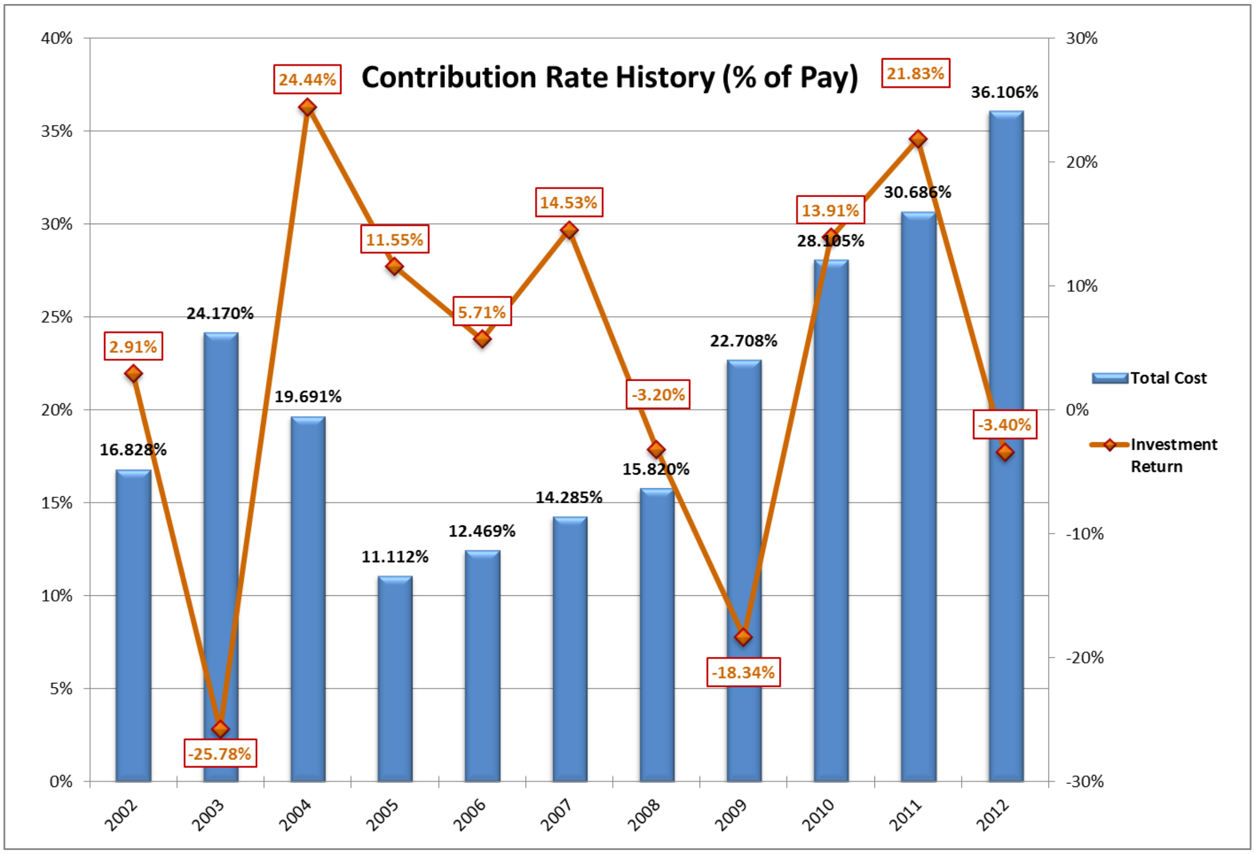
Over the past year the funded ratio declined slightly, from 64% to 63%; this funded ratio is computed using the actuarial (smoothed) value of Plan assets. The same ratio based on market value of assets declined to 59% as of July 1, 2012, primarily due to investment losses during fiscal year 2011-12.

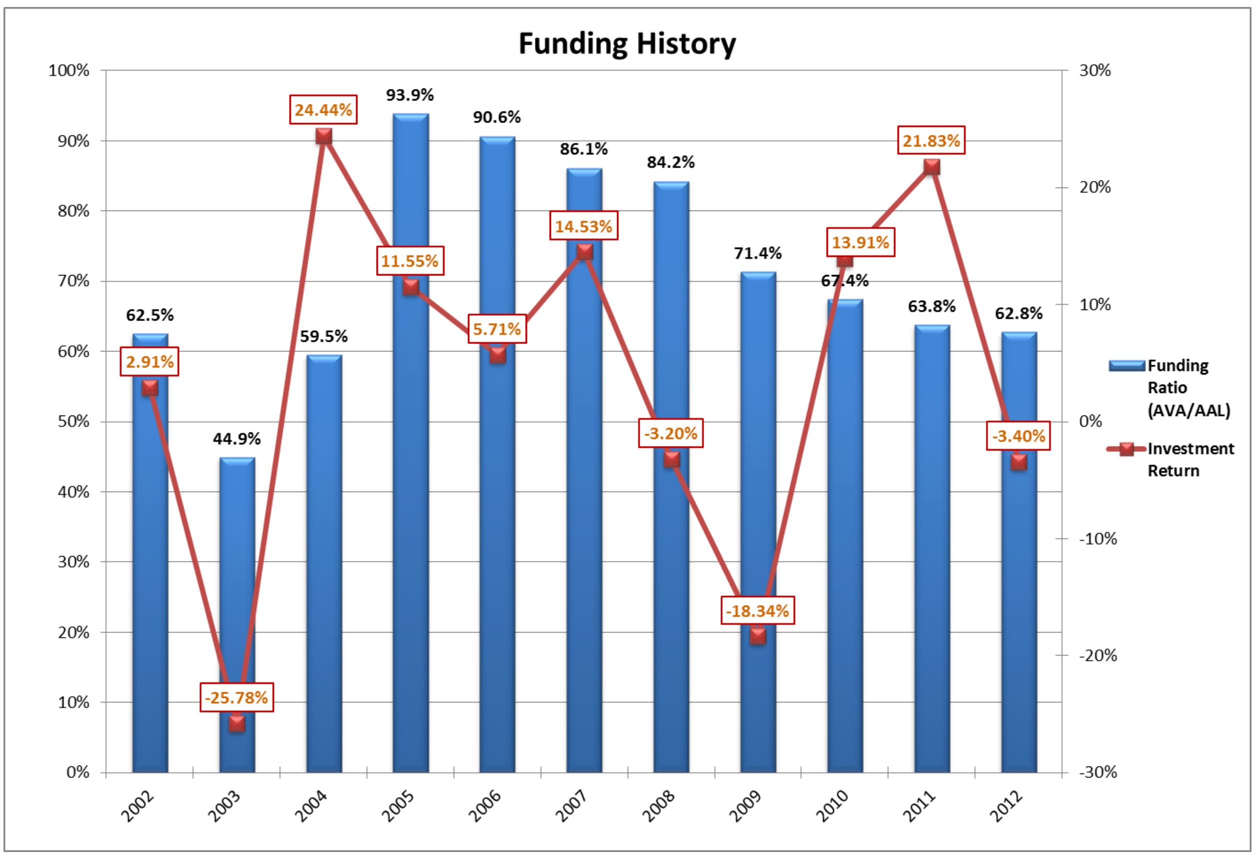
The funded ratio that would be necessary to have just enough assets in the Plan to cover inactive liabilities – those for retired, disabled, and vested terminated members and their beneficiaries – would be 64%, which is higher than the current funded ratio. This means that Plan assets do not fully cover the inactive liabilities, and as a result no assets are currently set aside to fund future benefit payments for any of the Plan's active members.

History of Plan Cost and Funding

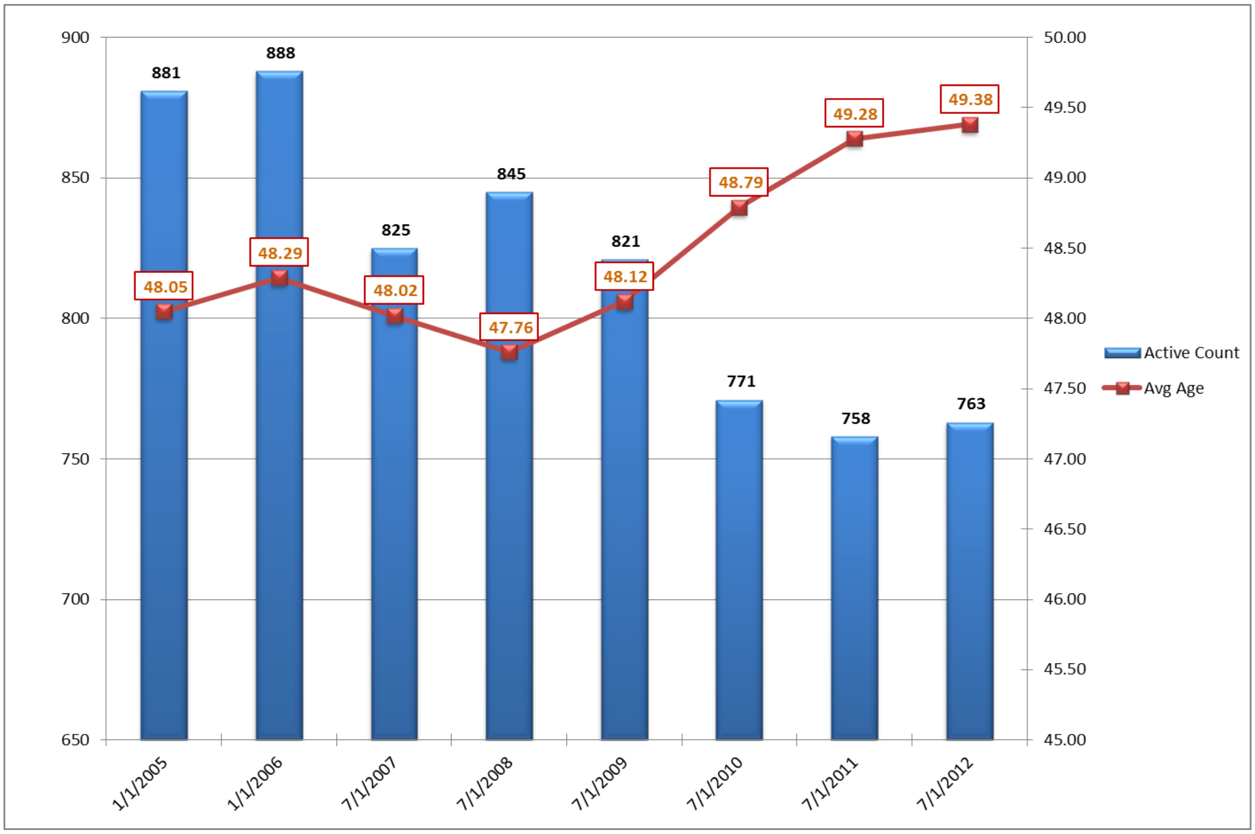
As discussed above, the Plan cost has increased both in dollar terms and as a percentage of active members' payroll during the past year. The graphs below show the history of Plan costs and funded ratios over the past decade. The return on Plan assets is also plotted – on the right hand vertical axis – so the relationship between investment return and the Plan cost and funded ratio can be noted.

In the graphs below we observe a steady increase in cost and a decrease in the funded ratio. This occurred because the compound investment return for the 11 years graphed was just 2.84%, well below the 7.5% to 8% actuarial assumptions in those years. On average, each year witnessed a shortfall of around 5% when comparing actual versus expected Plan assets. These shortfalls reduce Plan funding and are made up in the form of higher Plan contributions. This trend is evident in the graphs on the next page.


Contribution Rate History (% of Pay)
40%
35%
30%
25%
20%
15%
10%
5%
0%
30%
20%
10%
0%
-10%
-20%
-30%
16.828%
24.170%
19.691%
11.112%
12.469%
14.285%
15.820%
22.708%
28.105%
30.686%
36.106%
2.91%
-25.78%
24.44%
11.55%
5.71%
14.53%
-3.20%
-18.34%
13.91%
21.83%
-3.40%
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Total Cost
Investment Return


Funding History
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
30%
20%
10%
0%
-10%
-20%
-30%
62.5%
44.9%
59.5%
93.9%
90.6%
86.1%
84.2%
71.4%
67.4%
63.8%
62.8%
2.91%
-25.78%
24.44%
11.55%
5.71%
14.53%
-3.20%
-18.34%
13.91%
21.83%
-3.40%
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Funding Ratio (AVA/AAL)
Investment Return

Another significant factor in the increasing Plan cost has been the shrinking and aging of the covered workforce. The number and average age of Plan members is shown in the graph below.



In the graph we see that active Plan membership has declined from 888 on January 1, 2006 to 763 at July 1, 2012, a decrease of 14%. In addition, the average age of an active member has increased by over a year. This is not an uncommon pattern for transit districts, and it may be typical: The average age at another transit district that we work with is 49.6 years.

Future Plan Costs

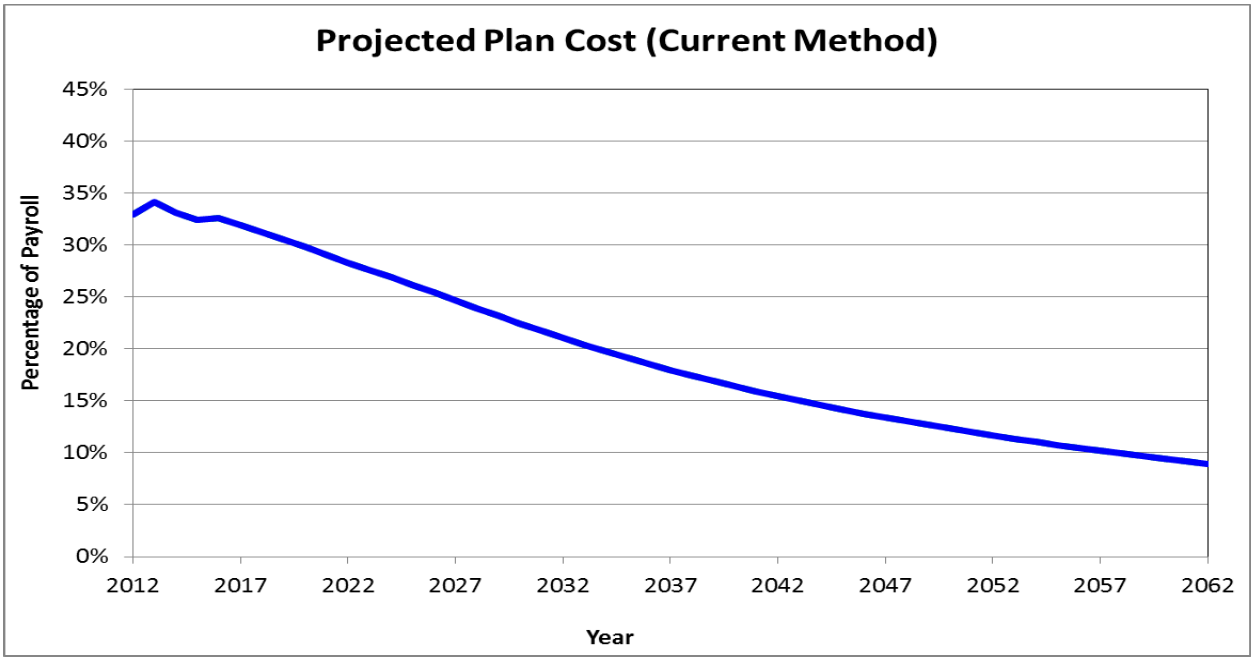
As noted above, a number of changes, mostly collectively bargained, have taken place in the Plan. Briefly, they are as follows:

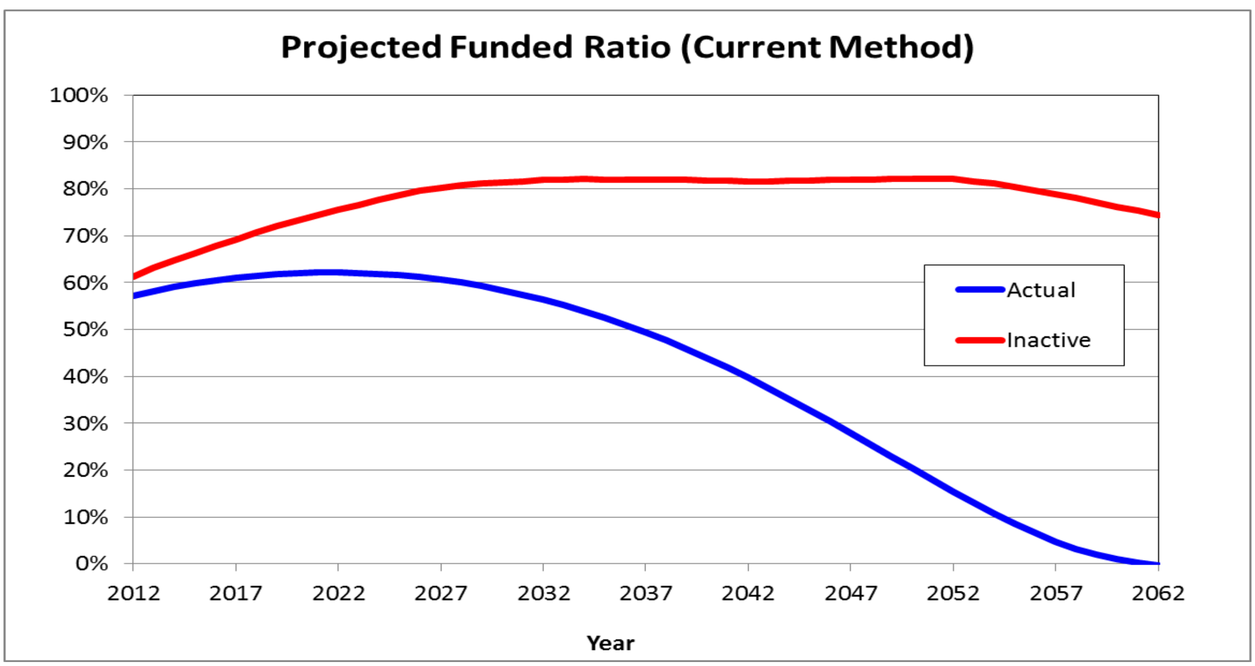
- IBEW employees hired on and after April 28, 2011 will no longer join this Plan, but will be members of a separate defined contribution plan instead.
- ATU and clerical members hired after the ratification of the 2012 labor contract will become members of a separate defined contribution plan, rather than this Plan.
- Non-contract members hired after January 1, 2013 will receive the benefits mandated by PEPRA as passed in 2012.
- All current and future members will make contributions to the Plan.

In Section 1.1 the new Plan provisions are highlighted and described in detail.

In addition to the above changes, the California Actuarial Advisory Panel (CAAP) is developinga set of recommended funding guidelines, with an exposure draft having been issued in 2012. These Guidelines establish model procedures for funding methods and amortization periods that are suggested – but not mandated – for California public defined benefit plans.

Assuming we were to retain the current actuarial funding method and amortization policy, the following two graphs present the projected cost and funded ratio of the Plan.



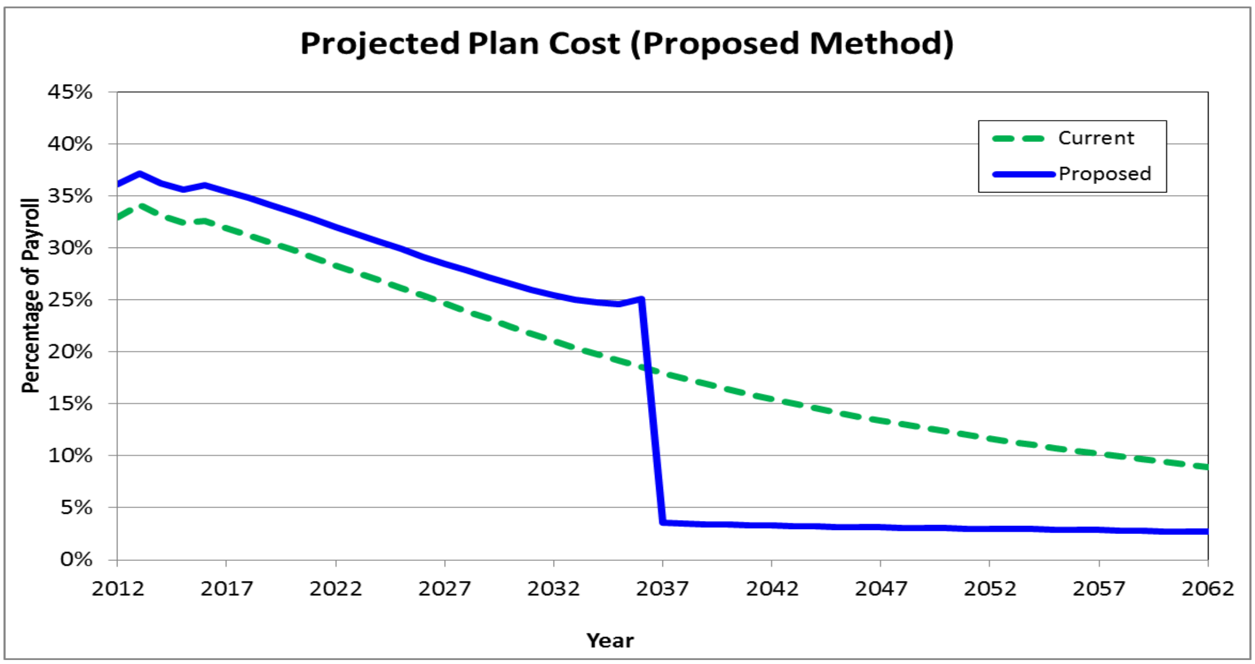


We note in the above graphs that the projected total Plan cost – including SDTC and member contributions – declines as a percentage of total SDTC payroll over the next 50 years. This is expected, because no new ATU, IBEW, or clerical members are joining the Plan after 2012. Consequently, we have a dwindling Plan population – only non-contract members – whose pension contribution is being spread over the entire SDTC active payroll.

However, we also note that the Plan funded ratio under the current actuarial method – the blue line in the funding graph – declines to 0 – no funding – in 50 years. This occurs because the current amortization period of 30 years pushes liabilities past the working lifetime of the active members.

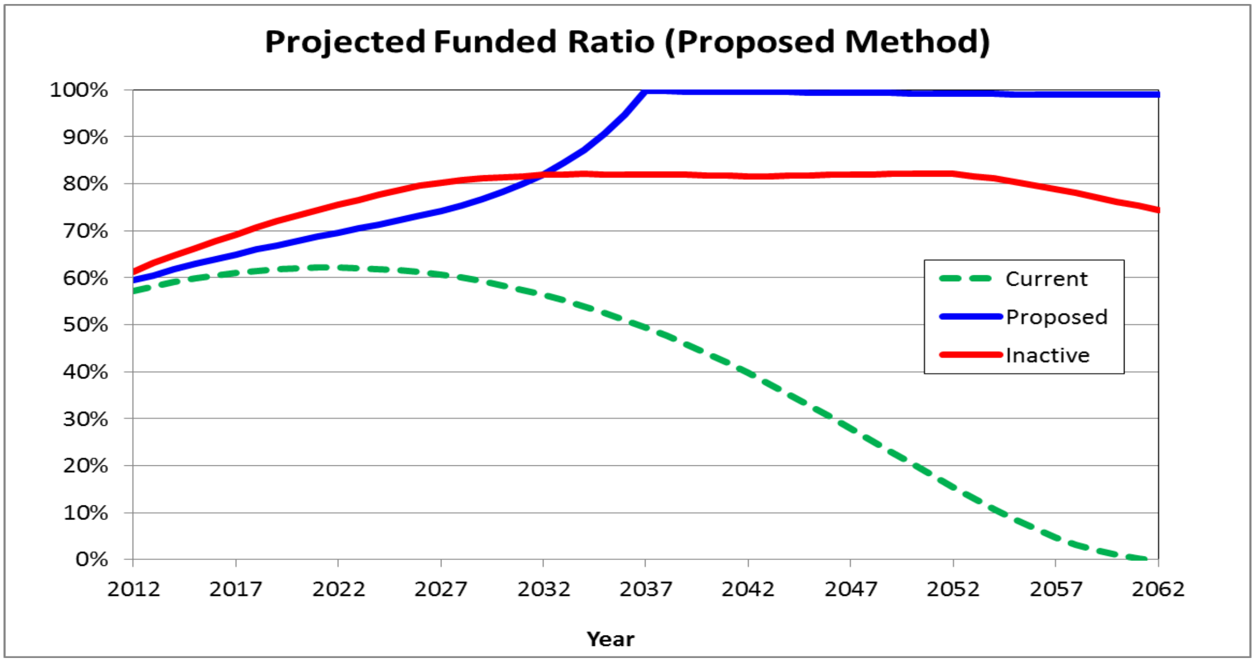
Clearly, these projections call for a different approach to funding.

The model practices published by CAAP recommend a slightly different version of the Entry Age Normal Cost Method than is currently being used by the Plan. In addition, closed amortization periods that shorten one year at a time are favored over rolling amortization periods. If we modify the actuarial cost method as recommended by CAAP and replace the current rolling 30-year amortization period with a closed (telescoping) 25-year period, the projected total cost and funding are shown in the following two graphs.



In the graph above we see that the changes in actuarial cost method and amortization period produce an increase in total Plan cost of about 3% of payroll over the next 25 years, as the unfunded liability is being amortized. Once the 25-year amortization period is over, the cost (the solid blue line) drops sharply, down to the normal cost for the remaining non-contract members of the Plan. The cost under the current funding method and amortization period is shown as the dashed green line.

The funded ratio that results from the changes in method and amortization is visible in the next graph. We note that funding under the proposed method (the solid blue line) grows to 100% over the 25-year amortization period. Note, however, that it still takes about 20 years before assets exceed the level of the liability for inactive members, shown as the solid red line.



The analysis above is based on the assumption that Plan assets will earn the actuarial assumption, which we can say with certainty will not happen. As time progresses, investment markets will go up and down, and the behavior of Plan members will differ from our assumptions. Consequently, actuarial gains and losses will be produced, and these gains and losses will be amortized in accordance with CAAP recommendations, generally over closed 15-year periods.

Some Reminders

In reading any actuarial report, it is important to remember certain basic facts.

- Experience will differ from assumptions.

  The liabilities and contributions determined in this Report are based on a set of actuarial assumptions. Despite the care and effort expended in determining the most accurate possible set of assumptions, the future experience of the Plan will certainly differ from what we assume. As a result, actuarial gains or losses will occur annually, and the employer and employee contributions will fluctuate.

- Cost consists of Normal Cost and Amortization of the Unfunded Liability

  Based on the assumptions and cost method, Plan assets are currently below the target level of assets determined by the cost method; consequently, there is an unfunded actuarial accrued liability. As a result, the required Plan contribution consists of two components: The Normal Cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL).

The Normal Cost represents the cost of the additional benefits earned each year by active Plan members. The balance of the Plan contribution represents the amortization of the unfunded liability, which is a payment designed to bring the Plan's assets up to the target level set by the actuarial cost method. Currently, the amortization of UAAL represents about two-thirds of the total contribution.

As the UAAL is amortized, the Plan contribution will gradually decrease to a level near the Normal Cost, which itself will be changing due to recent Plan amendments, PEPRA, and actuarial experience.

Conclusion and Actuarial Certification

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

The undersigned are members of the American Academy of Actuaries, and meet the Qualification Standards to provide the actuarial opinions herein.

Respectfully Submitted,

Gregory M. Stump, FSA, MAAA

Robert T. McCrory, FSA, MAAA

Section 1:

Summary of Plan Provisions, Member Statistics, and Actuarial Assumptions

1.1: Brief Outline of Plan Provisions

Definitions

Average Monthly Final Earnings

Average Monthly Final Earnings means the average monthly compensation during the consecutive months that produces a Participant's highest average compensation, computed by dividing the Compensation Earnable for such period by the number of months in such period.

- For ATU, IBEW, and Clerical Participants, the averaging period is thirty-six (36) consecutive months.
- For Non-Contract Participants, the number of consecutive months is twelve (12).

  PEPRA: For Non-Contract Participants hired on and after January 1, 2013, the number of consecutive months is thirty-six (36).

Those months during which the Participant did not receive Compensation from the Employer equivalent to one half the regular working days will be excluded. The average is then based on that portion of the averaging period remaining after the excluded months.

PEPRA: It is possible that exclusions for months in which the member did not work full-time may be subject to change.

Compensation

Compensation means the remuneration for services paid by the Employer. The monetary value of board, lodgings, fuel, car allowance, laundry or other advantages furnished to a Participant is not included.

PEPRA: For members joining the Plan on and after January 1, 2013, only base compensation up to the Social Security Taxable Wage Base ($110,100 for 2012) will count for computing Plan benefits and employee contributions; in particular, all or most overtime will be excluded.

Compensation Earnable

Compensation Earnable is the Compensation actually received by a Participant during a period of employment. <u>For ATU and Non-Contract Participants, any bonus or retroactive wage increases are treated as compensation when received rather than when the services are performed</u>. For IBEW Participants, Compensation Earnable is limited to 2,140 hours of straight time equivalent hours in any 12-month period.

In addition, the value of any vacation or sick leave accumulated but unused when benefits begin is excluded from Compensation Earnable and from Average Monthly Final Earnings.

PEPRA: For members joining the Plan on and after January 1, 2013, it is likely that some sources of compensation, such as those underlined above, may be excluded from benefit and contribution computations for these new members.

Credited Years of Service

In general, Credited Years of Service is continuous Service with the San Diego Transit Corporation and its predecessor company from the last date of employment through the date of retirement, death, disability, or other termination of service.

As of November 10, 1997, part-time ATU employees receive one Credited Year of Service for every 2,080 Hours of Service worked as a part-time employee after December 1, 1990.

For Non-Contract Participants, Credited Years of Service includes any year commencing on or after July 1, 1982 in which the Participant completes at least 1,000 Hours of Service. In addition, Credited Years of Service for Non-Contract Participants will exclude any period of Service after the Participant's Normal Retirement Date.

A Participant who is disabled and recovers from disability and reenters the Plan as an active Participant will not receive Credited Years of Service for the period of disability.

Participation

All full-time and certain part-time IBEW employees hired prior to April 28, 2011 will become Participants on their date of hire. IBEW employees hired on and after April 28, 2011 will become members of a separate defined contribution plan and will not be members of this Plan.

All full-time and certain part-time ATU employees hired prior to ratification of the 2012 labor contract will become Participants on their date of hire. (In this Report, ratification by the ATU and adoption by the MTS Board is assumed to occur as of November 15, 2012.) ATU employees hired on and after ratification will become members of a separate defined contribution plan and will not be members of this Plan.

All Non-Contract employees become Participants after earning one Credited Year of Service.

PEPRA: Any member joining the Plan for the first time on or after January 1, 2013 is a New Member.

Retirement Benefit

Eligibility

Clerical and Non-Contract members are eligible for normal service retirement upon attaining age 63 and completing five or more years of service and eligible for early service retirement upon attaining age 53 and completing five or more years of service.

ATU and IBEW members are eligible for normal service retirement upon attaining age 63 (65 for IBEW) and completing five or more years of service and eligible for early service retirement upon attaining age 55 and completing five or more years of service.

PEPRA: New Members are eligible to retire upon attaining age 52 and completing five or more years of service.

Benefit Amount

The monthly service retirement benefit is the Participant's Average Monthly Final Earnings multiplied by the percentage figures shown in the tables below.

- For ATU and Clerical Participants terminating prior to October 1, 2005, ATU/Clerical Table A-1 is used; for ATU and Clerical Participants terminating on and after October 1, 2005, ATU/Clerical Table A-2 is used. Prior to January 1, 2006, the benefit from the table is limited to 60%.

- For IBEW Participants terminating prior to January 1, 2008, IBEW Table A-1 is used; for IBEW Participants terminating on and after January 1, 2008, IBEW Table A-2 is used.

- For Non-Contract participants terminating prior to July 1, 2000, Non-Contract Table A-1 is used; for Non-Contract participants terminating on and after July 1, 2000, Non-Contract Table A-2 is used.

For Participants with fractions of a year of age or service, the Participant's age or service will be rounded to the completed quarter year, and the percentage multiplier will be computed from the table using interpolation.

ATU participants who are active from November 10, 1997 to December 31, 1998 and from November 10, 1997 to December 31, 1999 receive an additional 2.5% and 2.5%, respectively. However, the multiplier from Table A-1 or A-2, as augmented by the additional 2.5% increments, is still limited to 60% prior to January 1, 2006 and 70% thereafter.

Non-Contract Participants who are active as of July 1, 1994 and July 1, 1995 receive an additional 6% and 2%, respectively. However, the benefit multiplier, as augmented by the additional 6% and 2% increments, is still limited to 60% under Table A-1 and 70% under Table A-2.

A Participant who is disabled and recovers from disability and reenters the Plan as an active Participant will have this benefit amount reduced by the actuarial equivalent of the benefits paid during the period of disability.

PEPRA: For New Members, the benefit multiplier will be 1% at age 52, increasing by 0.1% for each year of age to 2.5% at 67. In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age.

Form of Benefit

The normal form of benefit is an annuity payable for the life of the Participant, with no continuation of benefits to a beneficiary after death. The retirement benefit will be paid as a 50% Joint and Survivor benefit actuarially equivalent to the normal form for participants who have been married for at least one year. Otherwise, the normal form will be paid.

Because Members will be making member contributions, the Member's beneficiaries may be eligible to receive a refund of accumulated contributions that exceed the benefits paid out to the Member (if any) upon death.

The ATU and IBEW benefits have been amended from time to time to remove the actuarial reduction in benefits for previously retired Participants whose spouses have died before them. However, these adjustments are retroactive only, and they do not apply to benefits paid to currently active Participants.

ATU and IBEW Participants may elect an Alternative Retirement Formula if they terminate employment before early retirement but after 10 years of credited service or were hired between April 1, 1968 and March 31, 1971 and desire to retire at their Normal Retirement Date. These Participants are eligible for a deferred benefit commencing at age 65 based on Table B.

Tables A-1 and A-2 for each employee group, as well as Table B, can be found in Appendix II herein.

Disability Retirement Benefit

Eligibility

A Participant is eligible for a Disability Retirement Benefit if:

- The Participant has earned five Credited Years of Service (ATU, IBEW, Clerical and Non-Contract), and
- The Participant is unable to perform the duties of his or her job with the Corporation, cannot be transferred to another job with the Corporation, and has submitted satisfactory medical evidence of permanent disqualification from his or her job.

PEPRA: The Act is silent on eligibility requirements for benefits other than retirement. For now, we will assume that the Plan's rules will continue to apply to New Members.

Benefit Amount

The Disability Retirement Benefit is a monthly benefit equal to the lesser of:

1. 1½% times Credited Years of Service at Disability Retirement Date times the Participant's Average Monthly Final Earnings; and

2. The Normal Retirement Benefit calculated using the Average Monthly Final Earnings at Disability Retirement Date and the projected Credited Years of Service to Normal Retirement Date.

The benefit is reduced by 50% of the amount of any earned income from other sources in excess of 50% of the Participant's Average Monthly Earnings during the 12 months prior to disability; this reduction applies to all IBEW and Non-Contract Participants, but only to ATU Participants hired after June 30, 1983.

PEPRA: Note that the Disability Retirement Benefit for New Members is based on the new definition of Compensation, which is subject to a maximum and excludes overtime.

Form of Benefit

The normal form of benefit is an annuity commencing at disability and payable for the life of the Participant, with no continuation of benefits to a beneficiary after death. The Disability Retirement

Benefit will be paid as a 50% Joint and Survivor benefit actuarially equivalent to the normal form for participants who have been married for at least one year. Otherwise, the normal form will be paid.

Because Members will be making member contributions, the Member's beneficiaries may be eligible to receive a refund of accumulated contributions that exceed the benefits paid out to the Member (if any) upon death.

The ATU and IBEW benefits have been amended from time to time to remove the actuarial reduction in benefits for previously retired Participants whose spouses have died before them. However, these adjustments are retroactive only, and they do not apply to benefits paid to currently active Participants.

Pre-Retirement Death Benefit

Eligibility

A vested Participant is entitled to elect coverage of a pre-retirement spouse's benefit.

For years a Participant is age 55 or under, the cost of the coverage is paid by the Company. For the years a Participant is over age 55 and has elected this coverage the cost of this coverage is paid by the Participant in the form of a reduced benefit upon retirement. The reduction is 3.5¢ per $10 of monthly benefit for each year of coverage.

There is no cost for this benefit for any ATU, Clerical, or Non-Contract Participant whose monthly benefit commences after November 27, 1990. There is no cost for this benefit for any IBEW Participant whose monthly benefit commences after December 3, 1996.

In order for the spouse to be eligible for this benefit, the participant must be married to the spouse for one year prior to death, unless death occurs from accidental causes.

PEPRA: The Act is silent on eligibility requirements for benefits other than retirement. For now, we will assume that the Plan's rules will continue to apply to New Members.

Benefit Amount

For a Participant who is eligible to retire at death, the pre-retirement death benefit is 50% of the benefit that would have been payable had the Participant retired immediately prior to his or her death and elected to receive a 50% Joint and Survivor annuity.

For a Participant who dies before being eligible to retire, the pre-retirement death benefit is 50% of the benefit that would have been payable had the Participant survived to his or her earliest retirement date, retired, elected to receive a 50% Joint and Survivor annuity, and died immediately.

PEPRA: Note that the Pre-Retirement Death Benefit for New Members is based on the new definition of Compensation, which is subject to a maximum and excludes overtime.

Form of Benefit

For a Participant who is eligible to retire at death, the death benefit begins when the Participant dies and continues for the life of the surviving spouse.

For a Participant who dies before being eligible to retire, the death benefit begins when the Participant would have reached his or her earliest retirement data and continues for the life of the surviving spouse.

Because Members will be making member contributions, the Member's beneficiaries may be eligible to receive a refund of accumulated contributions that exceed the benefits paid out to the Member or spouse (if any) upon death.

Termination Benefit

Eligibility

A Participant is eligible for a termination benefit after earning five years of service.

PEPRA: The Act is silent on eligibility requirements for benefits other than retirement. For now, we will assume that New Members will vest in their accrued benefit at five years of service.

Benefit Amount

The termination benefit is computed in the same manner as the Normal Retirement Benefit, but it is based on Credited Years of Service and Average Monthly Final Earnings on the date of termination.

Effective July 1, 2000, Non-Contract participants who terminate prior to eligibility for early service retirement will have their benefits actuarially reduced if they begin receiving benefits before normal retirement age.

PEPRA: For New Members, the benefit multiplier will be 1% at age 52, increasing by 0.1% for each year of age to 2.5% at 67. In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age. Note also that the Termination Benefit for New Members is based on the new definition of Compensation, which is subject to a maximum and excludes overtime.

We assume a refund of Member contributions, with no interest, if termination occurs before five years of service.

Form of Benefit

The Participant will be eligible to commence benefits at the later of termination and earliest retirement eligibility age.

The normal form of benefit is an annuity payable for the life of the Participant, with no continuation of benefits to a beneficiary after death. The retirement benefit will be paid as a 50% Joint and Survivor benefit actuarially equivalent to the normal form for participants who have been married for at least one year. Otherwise, the normal form will be paid.

Because Members will be making member contributions, the Member's beneficiaries may be eligible to receive a refund of accumulated contributions that exceed the benefits paid out to the Member (if any) upon death.

The ATU and IBEW benefits have been amended from time to time to remove the actuarial reduction in benefits for previously retired Participants whose spouses have died before them.

However, these adjustments are retroactive only, and they do not apply to benefits paid to currently active Participants.

Cost of Living Adjustments

Eligibility

An annual Cost of Living Adjustment (COLA) has been added for Non-Contract Participants who were actively employed on or after June 30, 1999. One time only (ad hoc) COLAs were granted to ATU and IBEW Participants in 1991 and 1992.

Benefit Amount

For Non-Contract Participants, the cumulative COLA is the increase in the Consumer Price Index (CPI) since the Participant began receiving benefits.

The COLA is subject to the following limits for Non-Contract Participants:

- The cumulative COLA cannot exceed 2% compounded annually for all years since the Participant's benefits began;
- The annual COLA is zero if the CPI increase in that year is less than 1%;
- The annual COLA is limited 6% of the initial benefit amount in any year; and
- A Participant's benefit cannot be reduced below the benefit level when payments commenced.

Voluntary Early Retirement Program

The Plan provided enhanced benefits to ATU participants who voluntarily elected early retirement during the window period from January 1, 1998 through February 20, 1998.

The Plan provided enhanced benefits to certain IBEW participants who voluntarily elected early retirement during the window period from July 1, 2004 through December 31, 2004.

DROP Program

The Plan provided DROP benefits to a number of ATU participants who elected retirement from July 1, 2002 through December 31, 2002.

Funding

IBEW members will contribute 2% of Compensation to the Plan. The IBEW member contribution will increase to 3% of Compensation in April, 2013.

ATU and clerical members will contribute 2% of Compensation to the Plan. The ATU and clerical member contribution will increase to 3% of Compensation in July, 2013 and to 5% in July, 2014.

Non-contract members hired before January 1, 2013 will contribute 2% of Compensation to the Plan, as reviewed and adjusted annually by the MTS Board.

PEPRA: New Members must contribute half of the normal cost of the Plan, rounded to the nearest 0.25%. The Employer pays the remaining cost of the Plan.

PEPRA: New Members must contribute half of the normal cost of the Plan, rounded to the nearest 0.25%.

The Corporation pays the actuarial cost of the Plan as reduced by Member contributions.

Changes in Plan Provisions

Member contribution rates have changed since the prior review, as noted above.

1.2: Summary of Participant Data as of July 1, 2012

Data on active and inactive Members and their beneficiaries as of the measurement date was supplied by the Plan Administrator on electronic media. Member data was neither verified nor audited. More detailed demographic information is presented in Appendix I.

Active Participants	Drivers	Mechanics	Clerical	Admin	Chula Vista	Total
Number	492	175	27	69	0	763
Average Age	49.84	47.12	48.07	52.35	N/A	49.38
Average Service	10.82	15.77	9.89	15.65	N/A	12.36
Average Pay	$44,520	$46,043	$39,372	$65,400	N/A	$46,576

Inactive Participants	Drivers	Mechanics	Clerical	Admin	Chula Vista	Total
Service Retired						
Number	384	62	25	98	4	573
Average Age	68.56	70.27	73.50	65.27	66.07	68.38
Average Benefit	$19,485	$17,334	$12,328	$34,065	$4,477	$21,329
Beneficiaries						
Number	84	17	4	25	0	130
Average Age	73.08	71.93	69.79	67.36	0.00	71.73
Average Benefit	$6,197	$6,744	$3,801	$15,581	$0	$7,999
Disabled						
Number	86	11	3	2	0	102
Average Age	66.19	61.83	73.85	62.71	0.00	65.88
Average Benefit	$8,951	$13,145	$6,101	$7,437	$0	$9,289
Terminated Vested						
Number	135	53	19	28	9	244
Average Age	52.89	52.32	54.32	51.39	55.48	52.80
Average Benefit	$7,983	$5,481	$6,755	$20,337	$2,804	$8,571

Changes in Plan Membership

	Actives	Vested Terminated	Disabled	Retired	DROP	Beneficiaries	Total Participants
July 1, 2011	758	237	104	561	0	129	1,789
New Entrants	98	-	-	-	-	-	98
Rehires	-	-	-	-	-	-	0
Disabilities	-	-	-	-	-	-	0
Retirements/DRO	(21)	(9)	-	30	-	1	1
Vested Terminations	(18)	18	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	(4)	-	4	0
Transfers	-	-	-	-	-	-	0
Died, Without Beneficiary, and Other Terminations	(53)	-	(2)	(14)	-	-	(69)
Beneficiary Deaths	-	-	-	-	-	(4)	(4)
Data Corrections	(1)	(2)	-	-	-	-	(3)
July 1, 2012	**763**	**244**	**102**	**573**	**0**	**130**	**1,812**

1.3: Actuarial Methods and Assumptions

Actuarial Method

Annual contributions to the Retirement Plans of San Diego Transit Corporation (the Plan) are computed under the Individual Entry Age Actuarial Cost Method to Final Decrement.

Under this Cost Method, the Normal Cost is calculated as the amount necessary to fund Members' benefits as a level percentage of total payroll over their projected working lives. At each valuation date, the Actuarial Accrued Liability is equal to the difference between the liability for the Members' total projected benefit and the present value of future Normal Cost contributions.

As of July 1, 2012, a change to this method was made. Previously, the Normal Cost and Accrued Liability was determined separately for each individual decrement, at each potential decrement age. This variation is known as the Entry-Age-to-Decrement method. As of July 1, 2012, the Normal Cost (and resulting Accrued Liability) is determined as a single result: with the Normal Cost percentage equal to the total Projected Value of Benefits at Entry Age, divided by the Present Value of Future Salary at Entry Age. This variation is known as the Entry-Age-to-Final-Decrement.

The excess of the Actuarial Accrued Liability over the smoothed value of Plan assets is the Unfunded Actuarial Accrued Liability; this liability as of July 1, 2012 is amortized in level dollar payments over a 25 year period ending June 30, 2037.

Amounts may be added to or subtracted from the Unfunded Actuarial Accrued Liability due to Plan amendments, changes in actuarial assumptions, and actuarial gains and losses. Each such addition or subtraction will be amortized over a separate period, of length from five to 30 years depending on the source. Though the Retirement Board may make exceptions, in general the intent is to follow the guidelines published by the California Actuarial Advisory Panel and the Government Finance Officers' Association.

The Normal Cost is determined for each member individually, based on the ratable value of each benefit expected to be accrued during the coming year. The total Normal Cost is calculated as the sum of the individual Normal Costs for all active members.

The total Plan cost is the sum of the Normal Cost and the amortization of the Unfunded Actuarial Accrued Liability. The employer is responsible for contributing the difference between the total cost and member contributions.

Actuarial Assumptions

Demographic rates were reviewed and updated based on the Actuarial Experience Study for 2006-2010.

Measurement Date — All assets and liabilities are computed as of July 1, 2012.

Rate of Return — The annual rate of return on all Plan assets is assumed to be 7.50% net of expenses.

Cost of Living — The cost of living as measured by the Consumer Price Index (CPI) is assumed to increase at the rate of 3.00% per year.

Pay for Benefits — In most cases, pay for benefits is based on each member's pay during the year preceding the measurement date. Special procedures are used in some cases, as noted below for full-time Participants.

Unit	Pay for Continuing Participants	Pay for New Participants
Drivers	The larger of gross pay or 1,800 hours times the member's hourly rate	
Mechanics	2,150 hours times the member's hourly rate	
Clerical	Gross pay	The larger of gross pay or 2,100 hours times the member's hourly rate
Non-Contract	Gross pay	The larger of gross pay or 2,080 hours times the member's hourly rate

Part-time Participants are assumed to work 1,040 hours in the calculations shown above.

Increases in Pay	Assumed pay increases for active Participants consist of increases due to inflation (cost of living adjustments) and those due to longevity and promotion. Based on an analysis of pay levels and service, we developed the following assumptions: For Drivers, we assume that pay increases due to longevity and promotion will be 7.5% per year for the first nine years of service and 0.5% per year thereafter. For Mechanics, we assume that pay increases due to longevity and promotion will be 7.5% per year for the first ten years of service and 0.5% per year thereafter. For Clerical Participants, we assume that pay increases due to longevity and promotion will be 11.0% per year for the first three years of service and 0.5% per year thereafter. For Non-Contract Participants, we assume that pay increases due to longevity and promotion will be 9.0% per year for the first eight years of service and 0.25% thereafter. In addition, annual adjustments in pay due to inflation will equal the CPI, for an additional annual increase of 3.0%.
Active and Retired Participant Mortality	Current rates of mortality for active and retired Drivers and Mechanics are given by the RP2000 Combined Healthy Tables set forward one year for females. Rates of mortality for active and retired Clerical and Non-Contract Participants are given by the 1994 Group Annuity Mortality (GAM) Table, weighting male rates by 50% and female rates by 50%. These rates also apply to surviving beneficiaries.
Disabled Participant Mortality	Current rates of mortality for active Drivers and Mechanics are given by the RP2000 Combined Healthy Tables set forward seven years for disabled males. Rates of mortality for disabled Clerical and Non-Contract Participants are given by the PBGC Mortality Table for Female Members Receiving Social Security Benefits.

Mortality Improvement

No *explicit* provision for mortality improvement is included in this Study.

The mortality tables assumed for Plan funding were compared with actual experience over the years 2001 through 2010. We found that the actual number of deaths was 30% higher than the expected number for the total Plan. This means that there is a conservative *implicit* margin for future mortality improvement. Similar margins were also found when the retired population only was examined.

Disability

Among Drivers and Mechanics, 0.70% of Participants eligible for a disability benefit are assumed to become disabled each year. Disabled Participants are assumed not to return to active service.

Service Retirement

Retirement among Participants eligible to retire is assumed to occur at the ages shown in the following table:

Age	ATU	IBEW	Clerical/Non Contract
53-54	0%	0%	15%
55-58	10%	5%	15%
59	10%	10%	15%
60	15%	10%	15%
61	15%	10%	15%
62-64	30%	30%	60%
65	40%	55%	60%
66-69	30%	30%	60%
70+	100%	100%	100%

Plan Expenses

No explicit allowance for Plan administrative expenses has been included in the annual cost calculated.

Family Composition

All Participants are assumed to be married. Male spouses are assumed to be four years older than their wives.

Employment Status

No future transfers among member groups are assumed.

Termination

Rates of termination for all Participants from causes other than death, disability, and service retirement are shown in the tables below. In each age group, the rate is shown at the central age. The rates are not applied to Participants eligible to retire.

The table below shows the assumed termination rates for ATU and IBEW members.

Age	0-1 Years	2-3 Years	4-9 Years	10+ Years
20-24	25.0%	14.0%	8.0%	1.3%
25-29	25.0%	14.0%	8.0%	1.3%
30-34	25.0%	14.0%	8.0%	1.3%
35-39	25.0%	14.0%	8.0%	1.3%
40-44	25.0%	14.0%	8.0%	1.3%
45-49	25.0%	14.0%	8.0%	1.3%
50-54	25.0%	14.0%	8.0%	1.3%
55+	25.0%	14.0%	8.0%	0.0%

The table below shows the assumed termination rates for Non-Contract members, based on years of service.

Age	0-3 Years	4-9 Years	10+ Years
20-24	20.0%	10.0%	3.0%
25-29	20.0%	10.0%	3.0%
30-34	20.0%	10.0%	3.0%
35-39	20.0%	10.0%	3.0%
40-44	20.0%	10.0%	3.0%
45-49	20.0%	10.0%	3.0%
50-54	20.0%	10.0%	3.0%
55-59	20.0%	10.0%	3.0%
60+	0.0%	0.0%	0.0%

Termination (Continued)

The table below shows the assumed termination rates for Clerical members.

Age	Rate
20-24	25.00%
25-29	11.00%
30-34	13.00%
35-39	17.00%
40-44	12.00%
45-49	8.00%
50-52	5.00%
53-54	5.00%
55+	0.00%

Actuarial Value of Plan Assets

Actuarial gains and losses from Plan investments over the four years prior to the measurement date are recognized at the rate of 20% per year in computing the actuarial value of Plan assets. The actuarial value of assets is constrained to within 20% of market value.

Changes in Actuarial Assumptions

There have been no changes in actuarial assumptions since the prior review.

Section 2:

Asset Information

2.1: Income Statement: July 1, 2011 through June 30, 2012

	Actual Market Value	Expected Market Value
Balance July 1, 2011	$149,430,570	$149,430,570
Employer Contributions	10,024,769	10,024,769
Employee Contributions	107,369	107,369
Investment Income	(5,002,447)	11,416,387
Net Benefit Payments	(14,000,927)	(14,000,927)
Other Expenses	(687,518)	(687,518)
Balance June 30, 2012	$139,871,816	$156,290,650
Approximate Return	(3.40)%	7.50%

2.2: Computation of Actuarial Value of Assets

Plan Year	Assumed Earnings (a)	Actual Earnings (b)	Unexpected Earnings (c = b-a)	Phase-In Factor (d)	Phase-In Adjustment (c x d)
2008-09	12,356,225	(27,844,238)	(40,200,463)	0.2	(8,040,093)
2009-10	9,529,082	16,170,202	6,641,120	0.4	2,656,448
2010-11	9,689,332	27,361,358	17,672,026	0.6	10,603,216
2011-12	11,416,386	(5,002,447)	(16,418,833)	0.8	(13,135,067)
				Total Adjustment	(7,915,496)
				Market Value as of June 30, 2012	139,871,816
				Actuarial Value as of June 30, 2012 **(Market Value less Total Adjustment, within 80%/120% Corridor of Market Value)**	**147,787,312**
				Ratio to Market Value	105.66%

Section 3:

Actuarial Computations

3.1: Computation of Annual Contribution – Prior Method

		July 1, 2011	July 1, 2012 Before Method Changes
(1)	Active Actuarial Accrued Liability		
	ATU	49,745,098	50,976,719
	IBEW	20,488,429	22,140,781
	Clerical	2,512,628	2,343,470
	Non-Contract	19,674,647	19,051,628
	Total	92,420,802	94,512,598
(2)	Active Fully Projected Actuarial Liability		
	ATU	62,406,267	64,113,565
	IBEW	24,813,137	26,233,534
	Clerical	2,860,988	2,658,288
	Non-Contract	21,553,781	20,866,373
	Total	111,634,173	113,871,760
(3)	Inactive Actuarial Liability		
	ATU	80,742,924	84,764,679
	IBEW	13,519,393	13,229,433
	Clerical	3,662,441	3,543,243
	Non-Contract	46,529,082	48,371,250
	Total	144,453,840	149,908,605
(4)	Total Actuarial Accrued Liability , (1) + (3)	236,874,642	244,421,203
(5)	Plan Assets (Actuarial Value)	151,113,025	147,787,312
(6)	Unfunded Actuarial Accrued Liability (UAAL), (4) – (5)	85,761,617	96,633,891
(7)	30 Year Amortization of UAAL	6,754,923	7,611,266
(8)	Total Projected Actuarial Liability, (2) + (3)	256,088,013	263,780,365
(9)	Present Value of Future Normal Costs (8) – (4)	19,213,371	19,359,162
(10)	Present Value of Future Member Payroll	246,105,154	247,008,733
(11)	Normal Cost (% of Member Payroll) (9) / (10)	7.807%	7.837%
(12)	Projected Member Payroll	32,573,125	33,392,891
(13)	Normal Cost ($), (11) X (12)	2,542,976	2,617,148
(14)	Total Cost,(7) + (13)	9,297,899	10,228,414
(15)	Total Cost (Interest Adjusted) (14) x 1.075	9,995,241	10,995,545
(16)	**Cost (% Member Payroll), (15) / (12)**	**30.686%**	**32.928%**

3.2: Computation of Annual Contribution – New Method

		July 1, 2012 After All Changes
(1)	Active Actuarial Accrued Liability	
	ATU	45,417,787
	IBEW	20,235,511
	Clerical	2,147,438
	Non-Contract	17,743,837
	Total	85,544,573
(2)	Active Fully Projected Actuarial Liability	
	ATU	64,180,128
	IBEW	26,238,680
	Clerical	2,665,715
	Non-Contract	20,870,351
	Total	113,954,874
(3)	Inactive Actuarial Liability	
	ATU	84,712,058
	IBEW	13,229,433
	Clerical	3,543,243
	Non-Contract	48,371,250
	Total	149,855,984
(4)	Total Actuarial Accrued Liability , (1) + (3)	235,400,557
(5)	Plan Assets (Actuarial Value)	147,787,312
(6)	Unfunded Actuarial Accrued Liability (UAAL), (4) – (5)	87,613,245
(7)	25 Year Amortization of UAAL	7,311,482
(8)	Total Normal Cost	3,904,281
(9)	Projected Member Payroll	33,392,891
(10)	Normal Cost (% of Member Payroll) (8) / (9)	11.692%
(11)	Total Cost, (7) + (8)	11,215,763
(12)	Total Cost (Interest Adjusted) (11) x 1.075	12,056,945
(13)	**Cost (% Member Payroll), (12) / (9)**	**36.106%**

The employer cost is the total cost, less contributions paid into the Fund by members during the year.

Section 4:

Disclosure Information

4.1: Schedules of Funding Status and Employer Contributions Required Under GASB Statement No. 25

The Governmental Accounting Standards Board (GASB) Statements No. 25 and 27 relate to the disclosure of pension liabilities on a public employer's financial statements. For accounting periods beginning after June 15, 1996, information required under these statements must be prepared for a public employer who seeks compliance with generally accepted accounting principles (GAAP) on behalf of its public employee retirement system.

GASB Statement No. 25 requires preparation of schedules of funding status and employer contributions, as well as the disclosure of plan provisions, actuarial assumptions, and other information.

The required schedules are shown below. In each case, we have relied upon information from our files and contained in the reports of prior actuaries employed by the employer in completing the schedules. While we have no reason to believe the information in our files or in prior actuaries' reports is inaccurate, we strongly recommend that employer personnel verify the schedules below before they are included in Plan or employer financial statements.

Schedule of Funding Status

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as a Percent of Payroll
1/1/03	56,330,528	125,584,398	69,253,870	45%	34,944,956	198%
1/1/04	78,667,471	132,307,053	53,639,582	59%	36,236,639	148%
1/1/05	152,877,022	162,878,929	10,001,907	94%	34,858,941	29%
1/1/06	153,083,086	168,877,304	15,794,218	91%	34,958,968	45%
7/1/07	160,696,946	186,611,461	25,914,515	86%	33,026,594	78%
7/1/08	164,759,680	195,624,156	30,864,476	84%	33,251,305	93%
7/1/09	144,196,322	202,089,428	57,893,106	71%	33,893,666	171%
7/1/10	152,895,717	226,820,827	73,925,110	67%	31,888,597	232%
7/1/11	151,113,025	236,874,642	85,761,617	64%	32,573,125	263%
7/1/12	147,787,312	235,400,557	87,613,245	63%	33,392,891	262%

In the valuation as of January 1, 2004, the Actuarial Value of Assets was changed from the market value to a five-year smoothing method. In 2004, a Pension Obligation Bond was issued, and subsequently $76 million was contributed to the Plan, which is reflected in the January 1, 2005 asset value.

In the valuation as of July 1, 2010, the Plan's assumptions were modified to incorporate the results of an actuarial experience study for the years 2006-2010. As a result of these assumption changes, Plan liabilities and costs increased.

Schedule of Employer Contributions

Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed
12/31/02	6,436,083	6,436,083 (Est)	100%
12/31/03	5,880,631	4,691,246	80%
12/31/04[1]	7,135,333	76,282,335	1,069%
12/31/05[2]	3,884,661	1,800,066	46%
6/30/07[3]	4,575,781	4,575,781	100%
6/30/08[4]	4,655,668	4,655,668	100%
6/30/09	5,275,088	5,275,088	100%
6/30/10	5,674,021	5,674,021	100%
6/30/11	7,753,347	7,753,347	100%
6/30/12	10,024,769	10,024,769	100%

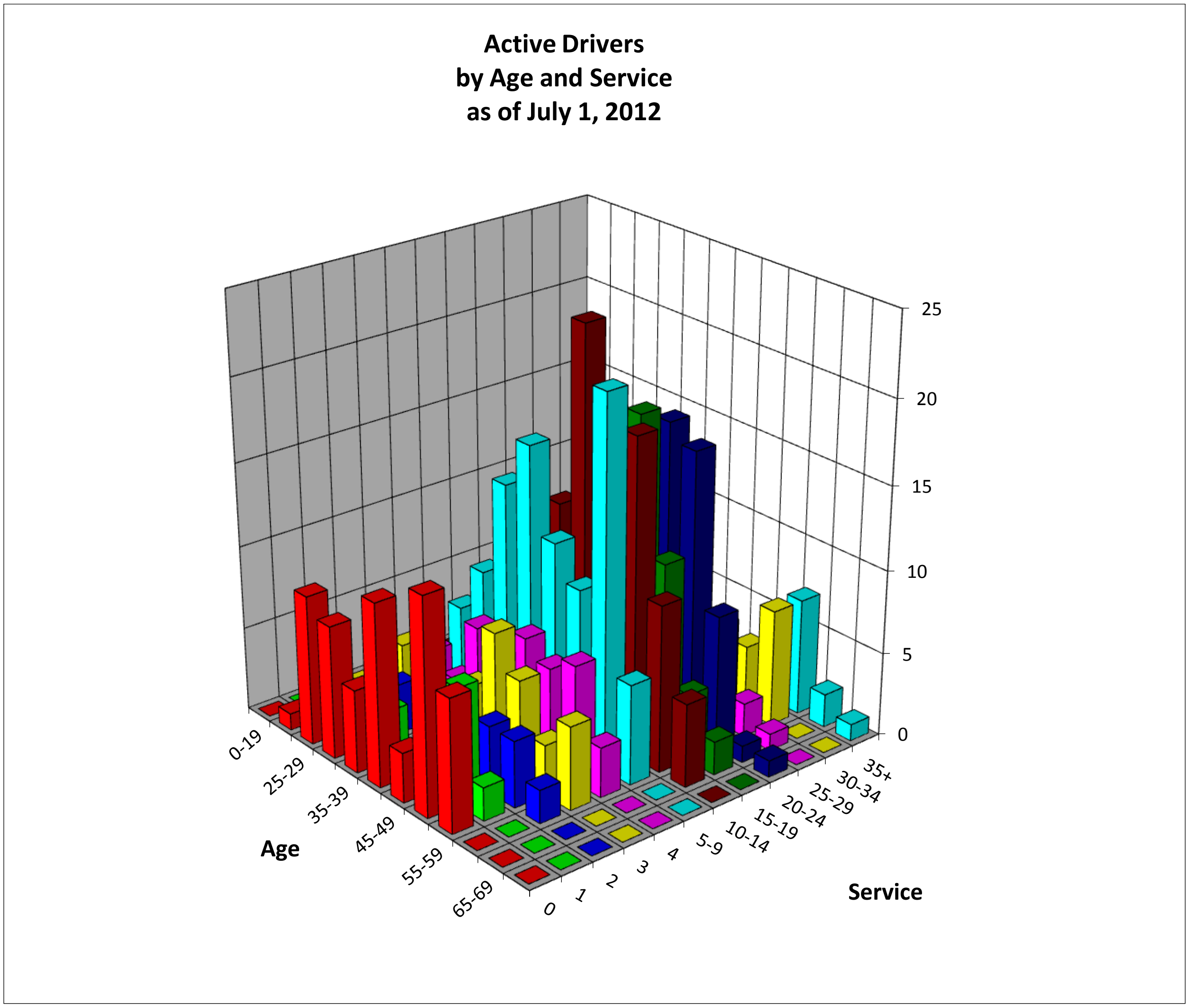
The table below summarizes certain information about this actuarial report.

Measurement date	July 1, 2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	25 Years
Asset smoothing method	Market value less unrecognized investment gains or losses during the prior four years, phased in at 20% per year, but required to be within 20% of market value
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	3.50 – 10.50% for drivers and mechanics 3.25 - 12.00% for administrative members
	3.50 - 14.00% for clerical members
*Includes inflation at	3.00%
Cost of living adjustments	Up to 2% annually for certain Non-Contract members only

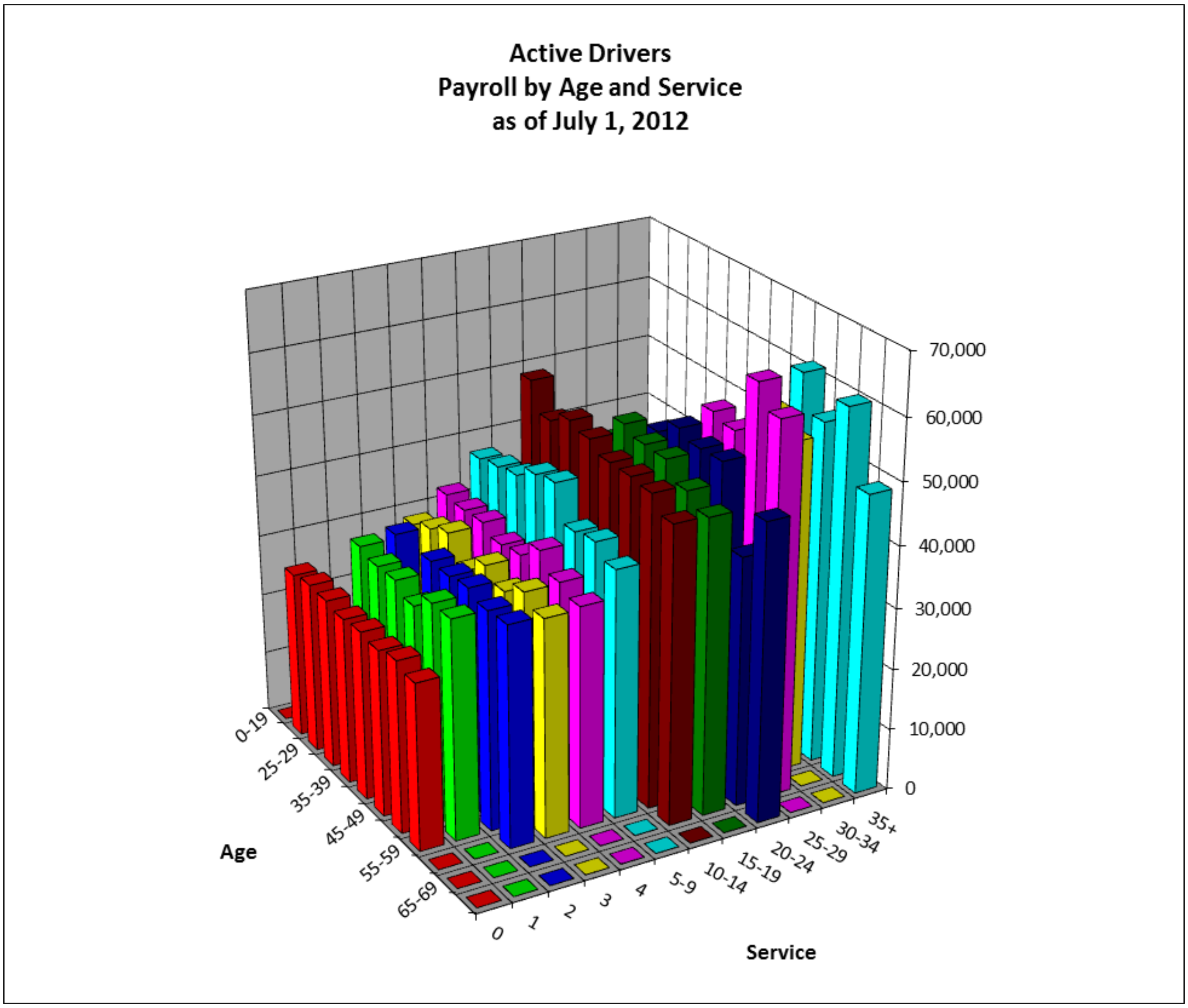
[1] Based on 1/1/04 contribution percentage multiplied by 2005 projected payroll
[2] Based on 1/1/05 contribution percentage multiplied by 2006 projected payroll
[3] Based on 1/1/06 contribution percentage multiplied by 2007 projected payroll
[4] Based on 1/1/06 contribution percentage multiplied by 2007-08 projected payroll

Appendix I:

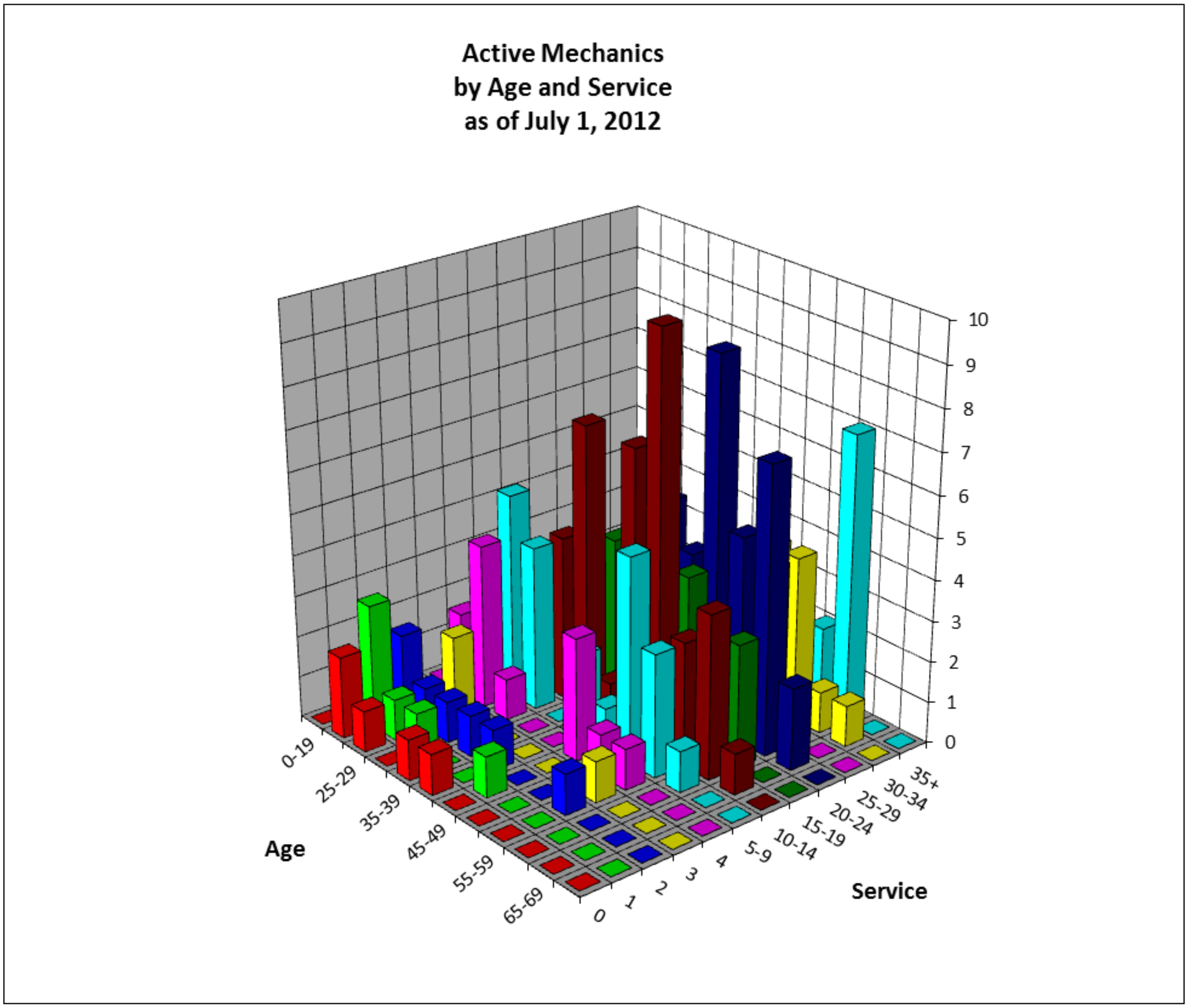
Detailed Demographic Information



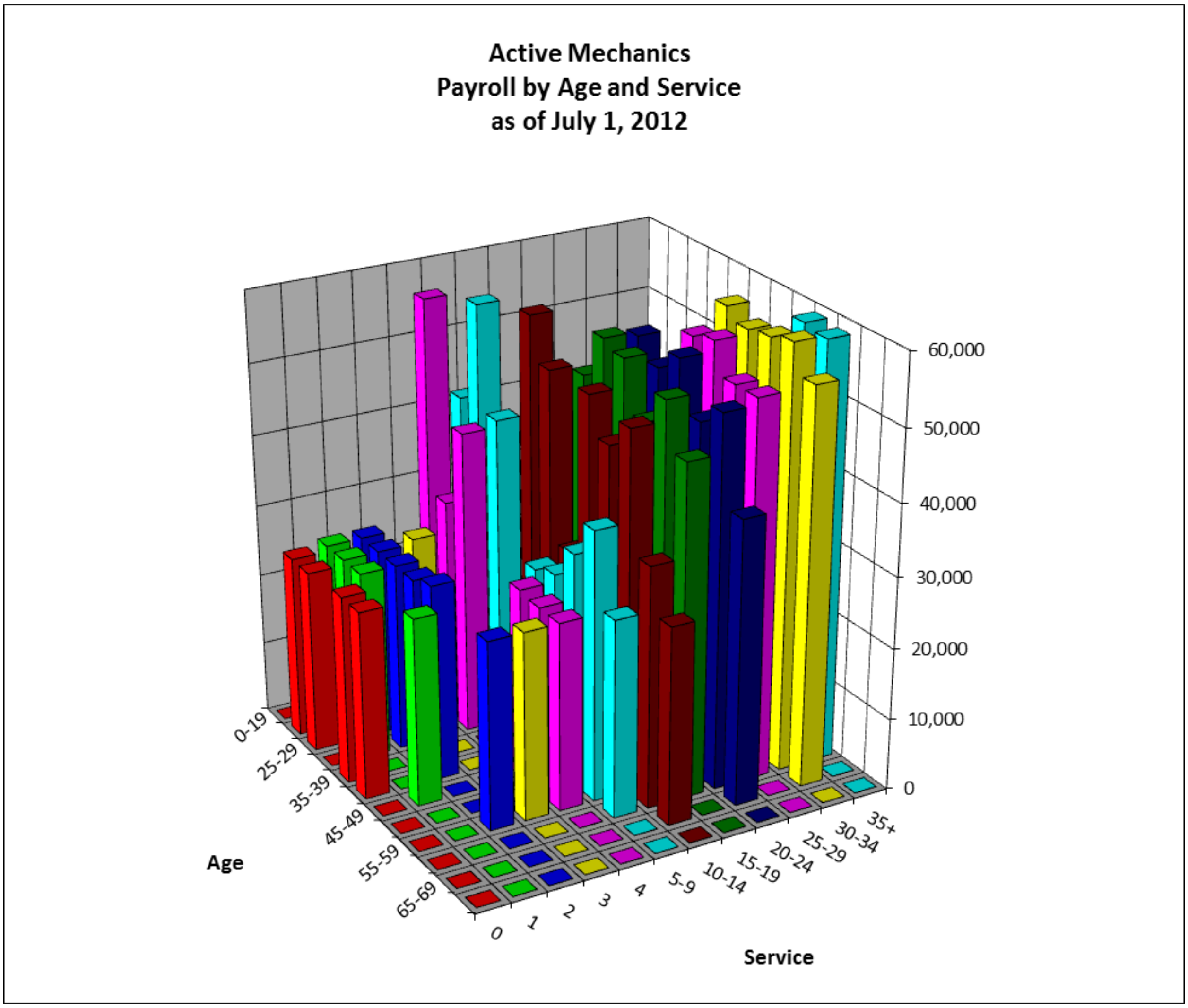
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	1	0	0	0	0	0	0	0	0	0	0	0	1
25-29	9	0	0	4	3	5	0	0	0	0	0	0	21
30-34	8	2	3	3	2	8	1	0	0	0	0	0	27
35-39	5	3	0	1	6	14	7	0	0	0	0	0	36
40-44	11	1	2	4	6	17	13	3	0	0	0	0	57
45-49	3	1	2	8	7	12	24	4	13	0	0	0	74
50-54	13	7	4	6	6	10	18	19	18	4	0	0	105
55-59	8	2	4	3	7	22	19	11	17	6	4	1	104
60-64	0	0	2	5	3	6	10	4	8	2	7	7	54
65-69	0	0	0	0	0	0	5	2	1	1	0	2	11
70+	0	0	0	0	0	0	0	0	1	0	0	1	2
Total	58	16	17	34	40	94	97	43	58	13	11	11	492



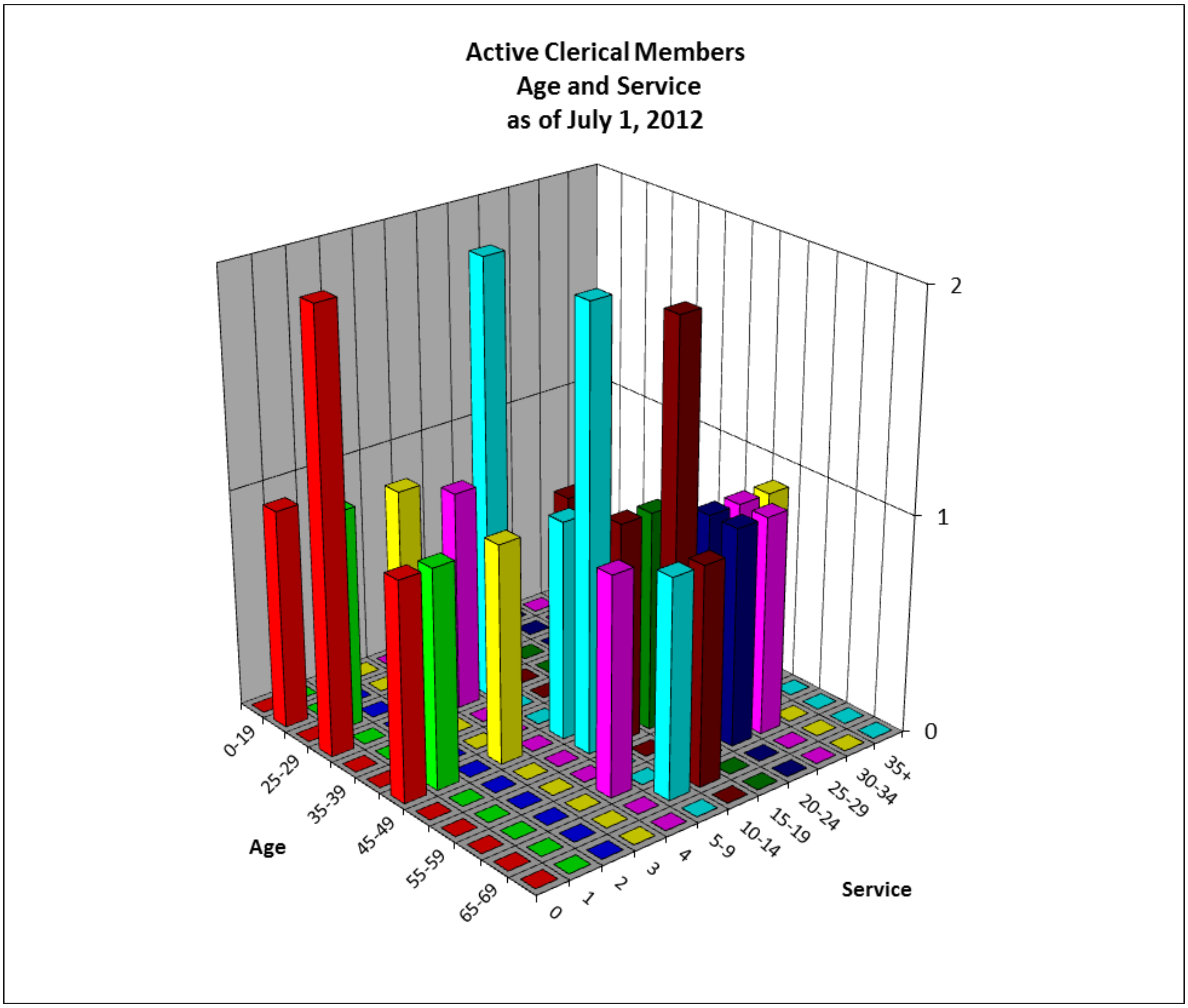
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
	0	0	0	0	0	0	0	0	0	0	0	0	0
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	27,270	0	0	0	0	0	0	0	0	0	0	0	27,270
25-29	28,008	0	0	34,052	37,726	42,422	0	0	0	0	0	0	33,979
30-34	27,849	35,372	36,009	35,584	37,374	43,234	56,049	0	0	0	0	0	36,481
35-39	27,270	34,482	0	37,214	37,637	44,001	51,594	0	0	0	0	0	41,111
40-44	27,707	34,633	36,313	33,479	36,273	46,294	53,678	49,262	0	0	0	0	42,038
45-49	27,270	32,943	36,249	36,651	36,924	47,163	52,811	53,972	51,555	0	0	0	46,736
50-54	28,214	35,822	36,847	34,868	40,009	41,615	51,233	52,825	54,197	55,614	0	0	45,278
55-59	27,270	35,838	35,697	37,210	37,357	42,347	51,202	52,669	53,041	54,679	56,423	61,400	46,216
60-64	0	0	35,990	35,532	35,969	40,346	50,817	49,920	53,195	64,190	53,672	55,671	48,645
65-69	0	0	0	0	0	0	48,342	48,034	40,540	60,561	0	60,101	50,826
70+	0	0	0	0	0	0	0	0	48,359	0	0	48,674	48,517
Total	27,759	35,262	36,195	35,465	37,483	43,796	51,829	52,150	52,792	56,882	54,672	56,361	44,520



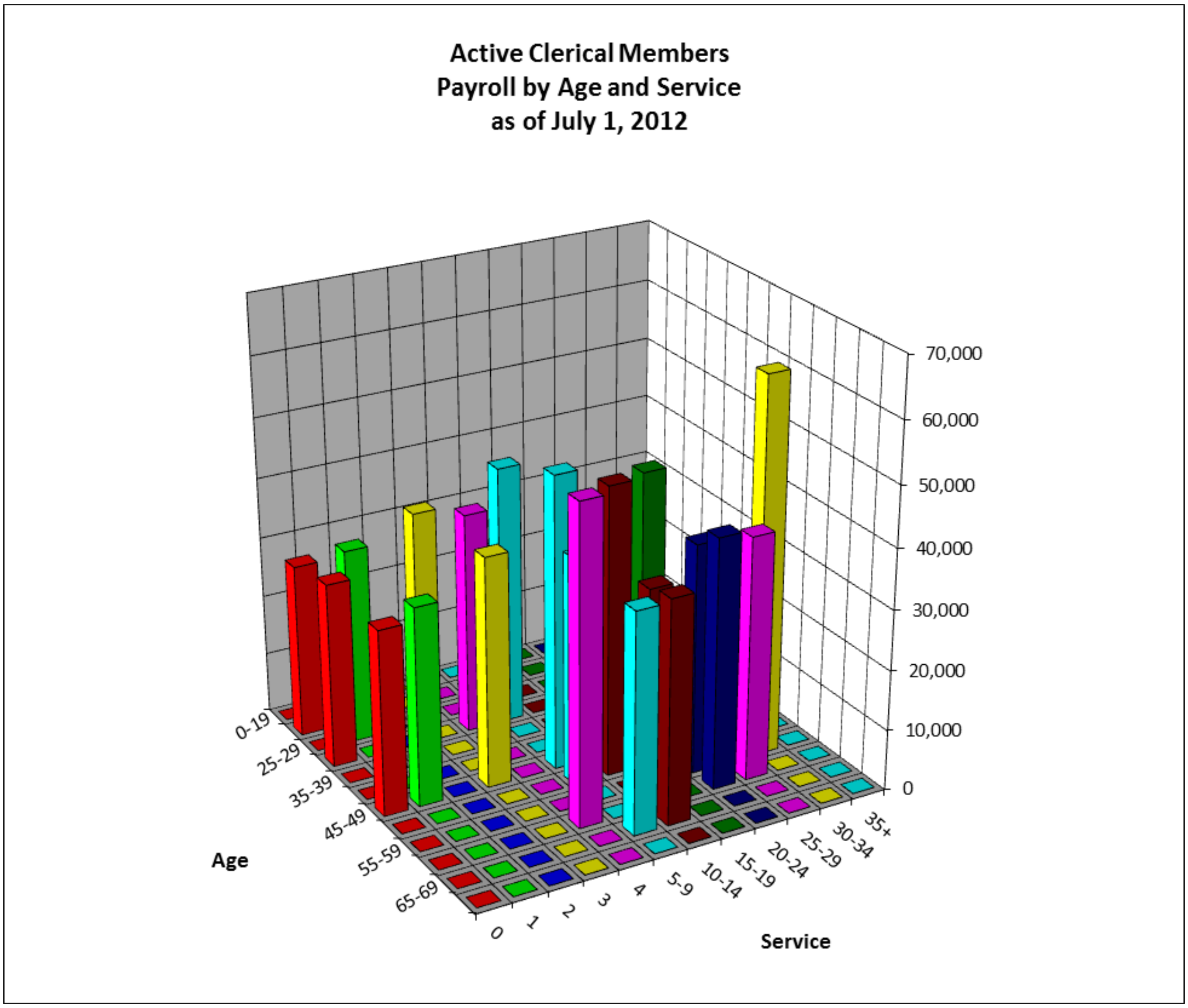
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	2	3	2	0	2	3	0	0	0	0	0	0	14
25-29	1	1	1	2	4	5	0	0	0	0	0	0	17
30-34	0	1	1	0	1	4	4	0	0	0	0	0	11
35-39	1	0	1	0	0	0	7	4	0	0	0	0	10
40-44	1	0	1	0	0	2	1	2	5	0	0	0	16
45-49	0	1	0	0	3	1	7	3	4	4	1	0	28
50-54	0	0	0	0	1	5	10	4	9	3	4	0	33
55-59	0	0	1	1	1	3	3	1	5	4	4	2	28
60-64	0	0	0	0	0	1	4	3	7	1	1	7	18
65-69	0	0	0	0	0	0	1	0	2	0	1	0	4
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	5	6	7	3	12	24	37	17	32	12	11	9	175



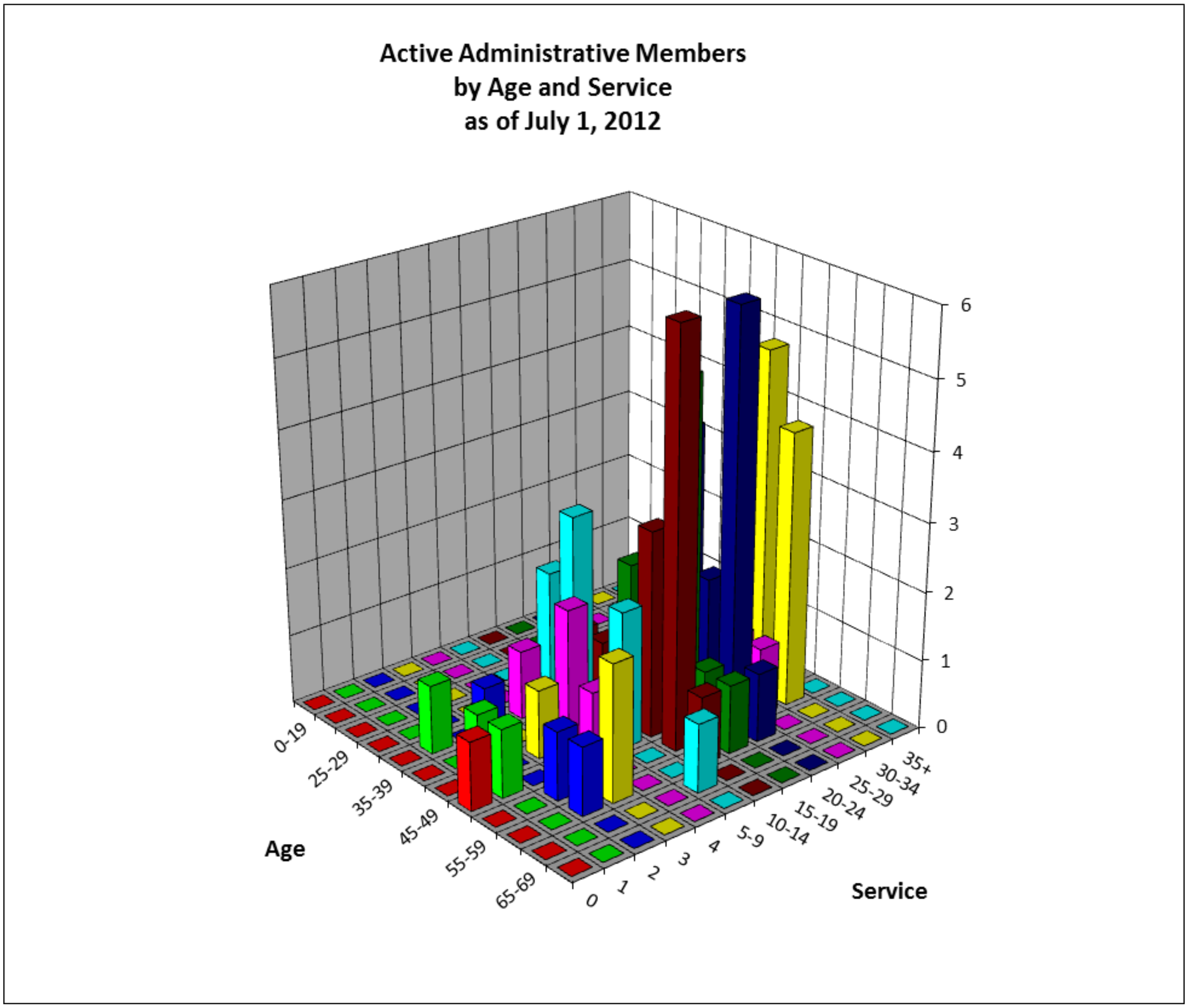
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	25,650	26,424	26,424	0	57,706	43,179	0	0	0	0	0	0	35,697
25-29	25,650	26,424	26,424	27,036	31,105	57,624	0	0	0	0	0	0	38,936
30-34	0	26,424	26,424	0	42,613	43,462	56,884	0	0	0	0	0	45,168
35-39	26,424	0	26,424	0	0	0	51,066	49,434	0	0	0	0	46,773
40-44	26,424	0	27,649	0	0	26,424	27,735	56,061	55,436	0	0	0	43,663
45-49	0	26,424	0	0	26,832	27,735	51,185	55,019	52,783	56,061	59,190	0	48,024
50-54	0	0	0	0	26,424	32,568	46,148	48,198	55,714	57,104	57,625	0	48,522
55-59	0	0	26,424	26,424	26,424	37,783	50,181	52,933	49,003	52,933	58,217	59,190	48,164
60-64	0	0	0	0	0	27,735	33,830	46,583	51,953	52,933	59,190	58,634	49,543
65-69	0	0	0	0	0	0	27,735	0	39,818	0	55,298	0	40,667
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	25,960	26,424	26,599	26,832	34,649	40,667	47,192	50,611	52,439	55,018	57,913	58,758	46,043



Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	1	0	0	0	0	0	0	0	0	0	0	0	1
25-29	0	1	0	1	0	0	0	0	0	0	0	0	2
30-34	2	0	0	0	1	2	0	0	0	0	0	0	5
35-39	0	0	0	0	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	1	0	0	0	0	0	1
45-49	1	1	0	1	0	1	0	0	0	0	0	0	4
50-54	0	0	0	0	0	2	1	1	0	0	0	0	4
55-59	0	0	0	0	0	0	0	0	1	1	1	0	3
60-64	0	0	0	0	1	0	2	0	1	1	0	0	5
65-69	0	0	0	0	0	1	1	0	0	0	0	0	2
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	2	0	2	2	6	5	1	2	2	1	0	27

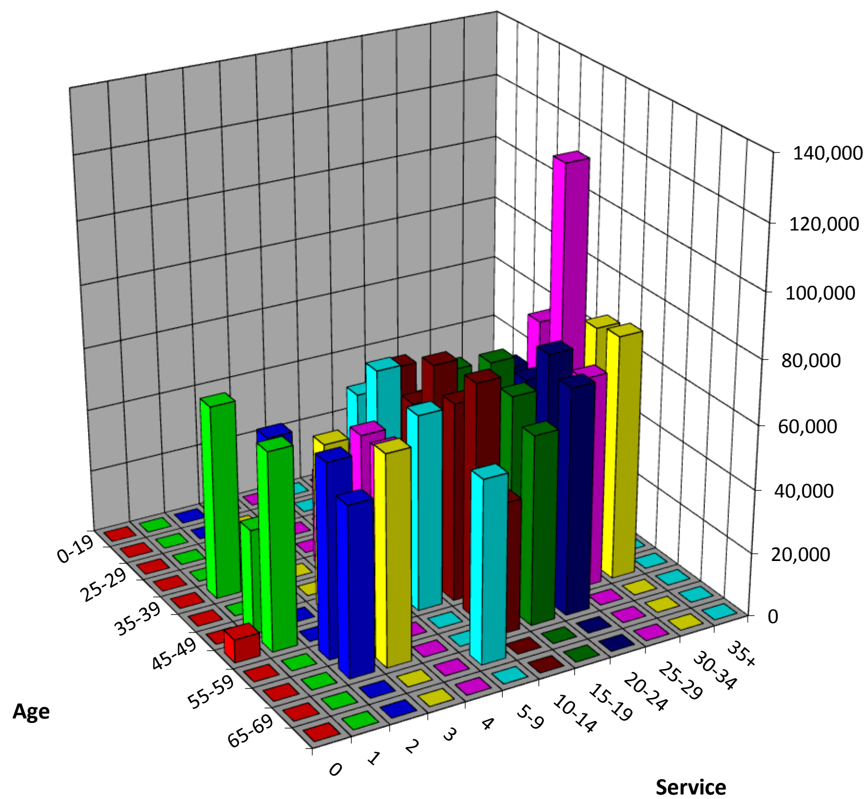


Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	28,896	0	0	0	0	0	0	0	0	0	0	0	28,896
25-29	0	32,508	0	36,120	0	0	0	0	0	0	0	0	34,314
30-34	30,702	0	0	0	36,832	43,248	0	0	0	0	0	0	36,946
35-39	0	0	0	0	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	40,114	0	0	0	0	0	40,114
45-49	30,702	32,931	0	38,219	0	48,699	0	0	0	0	0	0	37,638
50-54	0	0	0	0	0	37,560	47,920	48,736	0	0	0	0	42,944
55-59	0	0	0	0	0	0	0	0	38,169	37,094	62,730	0	45,998
60-64	0	0	0	0	52,478	0	36,146	0	41,588	40,386	0	0	41,349
65-69	0	0	0	0	0	36,552	37,060	0	0	0	0	0	36,806
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	30,251	32,720	0	37,170	44,655	41,145	39,477	48,736	39,879	38,740	62,730	0	39,372



Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0	0	0	1
35-39	0	1	0	0	1	2	1	0	0	0	0	0	5
40-44	0	0	1	0	0	3	1	2	0	0	0	0	6
45-49	0	1	0	1	2	0	1	0	4	1	0	0	10
50-54	1	1	0	0	1	2	3	5	2	1	5	0	23
55-59	0	0	1	0	0	0	6	1	6	1	4	0	17
60-64	0	0	1	2	0	0	1	1	1	0	0	0	7
65-69	0	0	0	0	0	1	0	0	0	0	0	0	1
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1	3	3	3	4	8	13	9	13	3	9	0	69

**Active Administrative Members
Payroll by Age and Service
as of July 1, 2012**



Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0	0	0	0
35-39	0	60,902	0	0	29,765	53,497	59,368	0	0	0	0	0	51,406
40-44	0	0	53,373	0	0	65,790	52,783	60,451	0	0	0	0	60,633
45-49	0	32,739	0	53,373	53,373	0	69,499	0	63,168	75,037	0	0	59,007
50-54	7,280	62,082	0	0	53,373	61,568	62,360	72,231	64,098	127,026	74,997	0	67,824
55-59	0	0	60,973	0	0	0	73,412	66,603	76,723	66,629	76,883	0	73,818
60-64	0	0	53,373	65,729	0	0	41,246	59,575	71,255	0	0	0	59,485
65-69	0	0	0	0	0	57,325	0	0	0	0	0	0	57,325
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	7,280	51,908	55,906	61,610	47,471	60,603	65,419	67,582	70,189	89,564	75,835	0	65,400

Changes in Plan Membership
Drivers

	Active	Vested Terminated	Disabled	Retired	DROP	Beneficiaries	Total Participants
July 1, 2011	480	132	87	373	0	83	1,155
New Entrants	87	-	-	-	-	-	87
Rehires	-	-	-	-	-	-	0
Disabilities	-	-	-	-	-	-	0
Retirements/DRO	(16)	(7)	-	23	-	1	1
Vested Terminations	(12)	12	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	(3)	-	3	0
Transfers	(2)	-	-	-	-	-	(2)
Died, Without Beneficiary, and Other Terminations	(45)	-	(1)	(9)	-	-	(55)
Beneficiary Deaths	-	-	-	-	-	(3)	(3)
Data Corrections	-	(2)	-	-	-	-	(2)
July 1, 2012	**492**	**135**	**86**	**384**	**0**	**84**	**1,181**

Changes in Plan Membership
Mechanics

	Active	Vested Terminated	Disabled	Retired	DROP	Beneficiaries	Total Participants
July 1, 2011	179	51	12	63	0	16	321
New Entrants	5	-	-	-	-	-	5
Rehires	-	-	-	-	-	-	0
Disabilities	-	-	-	-	-	-	0
Retirements/DRO	(1)	-	-	1	-	-	0
Vested Terminations	(2)	2	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	(1)	-	1	0
Transfers	(1)	-	-	-	-	-	(1)
Died, Without Beneficiary, and Other Terminations	(4)	-	(1)	(1)	-	-	(6)
Beneficiary Deaths	-	-	-	-	-	-	0
Data Corrections	(1)	-	-	-	-	-	(1)
July 1, 2012	**175**	**53**	**11**	**62**	**0**	**17**	**318**

Changes in Plan Membership
Clerical

	Active	Vested Terminated	Disabled	Retired	DROP	Beneficiaries	Total Participants
July 1, 2011	29	17	3	28	0	5	82
New Entrants	4	-	-	-	-	-	4
Rehires	-	-	-	-	-	-	0
Disabilities	-	-	-	-	-	-	0
Retirements/DRO	-	-	-	-	-	-	0
Vested Terminations	(2)	2	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	-	-	-	0
Transfers	(2)	-	-	-	-	-	(2)
Died, Without Beneficiary, and Other Terminations	(2)	-	-	(3)	-	-	(5)
Beneficiary Deaths	-	-	-	-	-	(1)	(1)
Data Corrections	-	-	-	-	-	-	0
July 1, 2012	**27**	**19**	**3**	**25**	**0**	**4**	**78**

Changes in Plan Membership
Non-Contract

	Active	Vested Terminated	Disabled	Retired	DROP	Beneficiaries	Total Participants
July 1, 2011	70	27	2	94	0	25	218
New Entrants	2	-	-	-	-	-	2
Rehires	-	-	-	-	-	-	0
Disabilities	-	-	-	-	-	-	0
Retirements/DRO	(4)	(1)	-	5	-	-	0
Vested Terminations	(2)	2	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	-	-	-	0
Transfers	5	-	-	-	-	-	5
Died, Without Beneficiary, and Other Terminations	(2)	-	-	(1)	-	-	(3)
Beneficiary Deaths	-	-	-	-	-	-	0
Data Corrections	-	-	-	-	-	-	0
July 1, 2012	**69**	**28**	**2**	**98**	**0**	**25**	**222**

Changes in Plan Membership
Chula Vista

	Active	Vested Terminated	Disabled	Retired	DROP	Beneficiaries	Total Participants
July 1, 2011	0	10	0	3	0	0	13
New Entrants	-	-	-	-	-	-	0
Rehires	-	-	-	-	-	-	0
Disabilities	-	-	-	-	-	-	0
Retirements/DRO	-	(1)	-	1	-	-	0
Vested Terminations	-	-	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	-	-	-	0
Transfers	-	-	-	-	-	-	0
Died, Without Beneficiary, and Other Terminations	-	-	-	-	-	-	0
Beneficiary Deaths	-	-	-	-	-	-	0
Data Corrections	-	-	-	-	-	-	0
July 1, 2012	**0**	**9**	**0**	**4**	**0**	**0**	**13**

Appendix II:

Benefit Tables

ATU/Clerical Table A-1: Retirement Benefit Multipliers

Credited Years Of Service	Age at Retirement								
	55	56	57	58	59	60	61	62	63+
5	5.9%	6.3%	6.7%	7.2%	7.8%	8.3%	8.9%	9.5%	10.1%
6	7.1%	7.5%	8.1%	8.7%	9.3%	10.0%	10.7%	11.4%	12.1%
7	8.2%	8.8%	9.4%	10.1%	10.9%	11.7%	12.4%	13.3%	14.1%
8	9.4%	10.1%	10.8%	11.6%	12.4%	13.3%	14.2%	15.1%	16.1%
9	10.6%	11.3%	12.1%	13.0%	14.0%	15.0%	16.0%	17.0%	18.1%
10	11.8%	12.6%	13.5%	14.4%	15.5%	16.7%	17.8%	18.9%	20.1%
11	12.9%	13.8%	14.8%	15.9%	17.1%	18.3%	19.5%	20.8%	22.2%
12	14.1%	15.1%	16.2%	17.3%	18.6%	20.0%	21.3%	22.7%	24.2%
13	15.3%	16.3%	17.5%	18.8%	20.2%	21.7%	23.1%	24.6%	26.2%
14	16.5%	17.6%	18.9%	20.2%	21.7%	23.3%	24.9%	26.5%	28.2%
15	17.6%	18.9%	20.2%	21.7%	23.3%	25.0%	26.7%	28.4%	30.2%
16	18.8%	20.1%	21.5%	23.1%	24.8%	26.7%	28.4%	30.3%	32.2%
17	20.0%	21.4%	22.9%	24.5%	26.4%	28.3%	30.2%	32.2%	34.3%
18	21.2%	22.6%	24.2%	26.0%	27.9%	30.0%	32.0%	34.1%	36.3%
19	22.3%	23.9%	25.6%	27.4%	29.5%	31.7%	33.8%	36.0%	38.3%
20	23.5%	25.2%	26.9%	28.9%	31.0%	33.3%	35.5%	37.9%	40.3%
21	24.7%	26.4%	28.3%	30.3%	32.6%	35.0%	37.3%	39.7%	42.3%
22	25.9%	27.7%	29.6%	31.8%	34.1%	36.7%	39.1%	41.6%	44.3%
23	27.0%	28.9%	31.0%	33.2%	35.7%	38.3%	40.9%	43.5%	46.3%
24	28.2%	30.2%	32.3%	34.6%	37.2%	40.0%	42.6%	45.4%	48.4%
25	29.4%	31.4%	33.7%	36.1%	38.8%	41.7%	44.4%	47.3%	50.4%
26	30.6%	32.7%	35.0%	37.5%	40.3%	43.3%	46.2%	49.2%	52.4%
27	31.7%	34.0%	36.4%	39.0%	41.9%	45.0%	48.0%	51.1%	54.4%
28	32.9%	35.2%	37.7%	40.4%	43.4%	46.7%	49.8%	52.0%	56.4%
29	34.1%	36.5%	39.1%	41.9%	45.0%	48.3%	50.0%	55.0%	58.4%
30	35.3%	37.7%	40.4%	43.4%	46.5%	50.0%	51.0%	55.5%	60.0%
31	36.5%	39.0%	41.7%	44.8%	48.1%	51.0%	51.5%	56.0%	60.0%
32	37.6%	40.2%	43.1%	46.2%	49.6%	51.5%	52.0%	56.5%	60.0%
33	38.8%	41.5%	44.4%	47.6%	50.0%	52.0%	52.5%	57.0%	60.0%
34	40.0%	42.8%	45.8%	49.1%	51.0%	52.5%	53.0%	57.5%	60.0%
35 or more	41.2%	44.0%	47.1%	50.0%	51.5%	53.0%	53.5%	58.0%	60.0%

ATU/Clerical Table A-2: Retirement Benefit Multipliers

Credited Years Of Service	Age at Retirement										
	Clerical										
	53	*54*	55	56	57	58	59	60	61	62	63+
5	*8.71%*	*9.33%*	10.00%	10.26%	10.52%	10.78%	11.05%	11.31%	11.57%	11.83%	12.09%
6	*10.45%*	*11.20%*	12.00%	12.31%	12.62%	12.94%	13.26%	13.57%	13.88%	14.20%	14.51%
7	*12.19%*	*13.06%*	14.00%	14.36%	14.73%	15.09%	15.47%	15.83%	16.20%	16.56%	16.93%
8	*13.94%*	*14.93%*	16.00%	16.42%	16.83%	17.25%	17.68%	18.10%	18.51%	18.93%	19.34%
9	*15.68%*	*16.79%*	18.00%	18.47%	18.94%	19.40%	19.89%	20.36%	20.83%	21.29%	21.76%
10	*17.42%*	*18.66%*	20.00%	20.52%	21.04%	21.56%	22.10%	22.62%	23.14%	23.66%	24.18%
11	*19.16%*	*20.53%*	22.00%	22.57%	23.14%	23.72%	24.31%	24.88%	25.45%	26.03%	26.60%
12	*20.90%*	*22.39%*	24.00%	24.62%	25.25%	25.87%	26.52%	27.14%	27.77%	28.39%	29.02%
13	*22.65%*	*24.26%*	26.00%	26.68%	27.35%	28.03%	28.73%	29.41%	30.08%	30.76%	31.43%
14	*24.39%*	*26.12%*	28.00%	28.73%	29.46%	30.18%	30.94%	31.67%	32.40%	33.12%	33.85%
15	*26.13%*	*27.99%*	30.00%	30.78%	31.56%	32.34%	33.15%	33.93%	34.71%	35.49%	36.27%
16	*27.87%*	*29.86%*	32.00%	32.83%	33.66%	34.50%	35.36%	36.19%	37.02%	37.86%	38.69%
17	*29.61%*	*31.72%*	34.00%	34.88%	35.77%	36.65%	37.57%	38.45%	39.34%	40.22%	41.11%
18	*31.36%*	*33.59%*	36.00%	36.94%	37.87%	38.81%	39.78%	40.72%	41.65%	42.59%	43.52%
19	*33.10%*	*35.45%*	38.00%	38.99%	39.98%	40.96%	41.99%	42.98%	43.97%	44.95%	45.94%
20	*34.84%*	*37.32%*	40.00%	41.04%	42.08%	43.12%	44.20%	45.24%	46.28%	47.32%	48.36%
21	*36.58%*	*39.19%*	42.00%	43.09%	44.18%	45.28%	46.41%	47.50%	48.59%	49.69%	50.78%
22	*38.32%*	*41.05%*	44.00%	45.14%	46.29%	47.43%	48.62%	49.76%	50.91%	52.05%	53.20%
23	*40.07%*	*42.92%*	46.00%	47.20%	48.39%	49.59%	50.83%	52.03%	53.22%	54.42%	55.61%
24	*41.81%*	*44.78%*	48.00%	49.25%	50.50%	51.74%	53.04%	54.29%	55.54%	56.78%	58.03%
25	*43.55%*	*46.65%*	50.00%	51.30%	52.60%	53.90%	55.25%	56.55%	57.85%	59.15%	60.45%
26	*45.29%*	*48.52%*	52.00%	53.35%	54.70%	56.06%	57.46%	58.81%	60.16%	61.52%	62.87%
27	*47.03%*	*50.38%*	54.00%	55.40%	56.81%	58.21%	59.67%	61.07%	62.48%	63.88%	65.29%
28	*48.78%*	*52.25%*	56.00%	57.46%	58.91%	60.37%	61.88%	63.34%	64.79%	66.25%	67.70%
29	*50.52%*	*54.11%*	58.00%	59.51%	61.02%	62.52%	64.09%	65.60%	67.11%	68.61%	70.00%
30	*52.26%*	*55.98%*	60.00%	61.56%	63.12%	64.68%	66.30%	67.86%	69.42%	70.00%	70.00%
31	*54.00%*	*57.85%*	62.00%	63.61%	65.22%	66.84%	68.51%	70.00%	70.00%	70.00%	70.00%
32	*55.74%*	*59.71%*	64.00%	65.66%	67.33%	68.99%	70.00%	70.00%	70.00%	70.00%	70.00%
33	*57.49%*	*61.58%*	66.00%	67.72%	69.43%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
34	*59.23%*	*63.44%*	68.00%	69.77%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
35 or more	*60.97%*	*65.31%*	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%

IBEW Table A-1: Retirement Benefit Multipliers

Credited Years Of Service	Age at Retirement										
	55	56	57	58	59	60	61	62	63	64	65+
5	5.2%	5.5%	5.9%	6.3%	6.7%	7.2%	7.8%	8.3%	8.9%	9.5%	10.1%
6	6.2%	6.6%	7.1%	7.5%	8.1%	8.7%	9.3%	10.0%	10.7%	11.4%	12.1%
7	7.2%	7.7%	8.2%	8.8%	9.4%	10.1%	10.9%	11.7%	12.4%	13.3%	14.1%
8	8.2%	8.8%	9.4%	10.1%	10.8%	11.6%	12.4%	13.3%	14.2%	15.1%	16.1%
9	9.3%	9.9%	10.6%	11.3%	12.1%	13.0%	14.0%	15.0%	16.0%	17.0%	18.1%
10	10.2%	11.0%	11.8%	12.6%	13.5%	14.4%	15.5%	16.7%	17.8%	18.9%	20.1%
11	11.2%	12.1%	12.9%	13.8%	14.8%	15.9%	17.1%	18.3%	19.5%	20.8%	22.2%
12	12.3%	13.2%	14.1%	15.1%	16.2%	17.3%	18.6%	20.0%	21.3%	22.7%	24.2%
13	13.3%	14.3%	15.3%	16.3%	17.5%	18.8%	20.2%	21.7%	23.1%	24.6%	26.2%
14	14.4%	15.4%	16.5%	17.6%	18.9%	20.2%	21.7%	23.3%	24.9%	26.5%	28.2%
15	15.4%	16.5%	17.6%	18.9%	20.2%	21.7%	23.3%	25.0%	26.7%	28.4%	30.2%
16	16.4%	17.6%	18.8%	20.1%	21.5%	23.1%	24.8%	26.7%	28.4%	30.3%	32.2%
17	17.5%	18.7%	20.0%	21.4%	22.9%	24.5%	26.4%	28.3%	30.2%	32.2%	34.3%
18	18.5%	19.8%	21.2%	22.6%	24.2%	26.0%	27.9%	30.0%	32.0%	34.1%	36.3%
19	19.6%	20.9%	22.3%	23.9%	25.6%	27.4%	29.5%	31.7%	33.8%	36.0%	38.3%
20	20.6%	22.0%	23.5%	25.2%	26.9%	28.9%	31.0%	33.3%	35.5%	37.9%	40.3%
21	21.6%	23.1%	24.7%	26.4%	28.3%	30.3%	32.6%	35.0%	37.3%	39.7%	42.3%
22	22.7%	24.2%	25.9%	27.7%	29.6%	31.8%	34.1%	36.7%	39.1%	41.6%	44.3%
23	23.7%	25.3%	27.0%	28.9%	31.0%	33.2%	35.7%	38.3%	40.9%	43.5%	46.3%
24	24.8%	26.4%	28.2%	30.2%	32.3%	34.6%	37.2%	40.0%	42.6%	45.4%	48.4%
25	25.8%	27.5%	29.4%	31.4%	33.7%	36.1%	38.8%	41.7%	44.4%	47.3%	50.4%
26	26.9%	28.6%	30.6%	32.7%	35.0%	37.5%	40.3%	43.3%	46.2%	49.2%	52.4%
27	27.9%	29.7%	31.7%	34.0%	36.4%	39.0%	41.9%	45.0%	48.0%	51.1%	54.4%
28	29.0%	30.9%	32.9%	35.2%	37.7%	40.4%	43.4%	46.7%	49.8%	52.0%	56.4%
29	30.0%	32.0%	34.1%	36.5%	39.1%	41.9%	45.0%	48.3%	50.0%	55.0%	58.4%
30	31.1%	33.1%	35.3%	37.7%	40.4%	43.4%	46.5%	50.0%	51.0%	55.5%	60.0%
31	32.1%	34.2%	36.5%	39.0%	41.7%	44.8%	48.1%	51.0%	51.5%	56.0%	60.0%
32	33.2%	35.3%	37.6%	40.2%	43.1%	46.2%	49.6%	51.5%	52.0%	56.5%	60.0%
33	34.3%	36.5%	38.8%	41.5%	44.4%	47.6%	50.0%	52.0%	52.5%	57.0%	60.0%
34	35.4%	37.6%	40.0%	42.8%	45.8%	49.1%	51.0%	52.5%	53.0%	57.5%	60.0%
35 or more	36.5%	38.7%	41.2%	44.0%	47.1%	50.0%	51.5%	53.0%	53.5%	58.0%	60.0%

IBEW Table A-2: Retirement Benefit Multipliers

Credited Years Of Service	Age at Retirement								
	55	56	57	58	59	60	61	62	63+
5	10.00%	10.26%	10.52%	10.78%	11.05%	11.31%	11.57%	11.83%	12.09%
6	12.00%	12.31%	12.62%	12.94%	13.26%	13.57%	13.88%	14.20%	14.51%
7	14.00%	14.36%	14.73%	15.09%	15.47%	15.83%	16.20%	16.56%	16.93%
8	16.00%	16.42%	16.83%	17.25%	17.68%	18.10%	18.51%	18.93%	19.34%
9	18.00%	18.47%	18.94%	19.40%	19.89%	20.36%	20.83%	21.29%	21.76%
10	20.00%	20.52%	21.04%	21.56%	22.10%	22.62%	23.14%	23.66%	24.18%
11	22.00%	22.57%	23.14%	23.72%	24.31%	24.88%	25.45%	26.03%	26.60%
12	24.00%	24.62%	25.25%	25.87%	26.52%	27.14%	27.77%	28.39%	29.02%
13	26.00%	26.68%	27.35%	28.03%	28.73%	29.41%	30.08%	30.76%	31.43%
14	28.00%	28.73%	29.46%	30.18%	30.94%	31.67%	32.40%	33.12%	33.85%
15	30.00%	30.78%	31.56%	32.34%	33.15%	33.93%	34.71%	35.49%	36.27%
16	32.00%	32.83%	33.66%	34.50%	35.36%	36.19%	37.02%	37.86%	38.69%
17	34.00%	34.88%	35.77%	36.65%	37.57%	38.45%	39.34%	40.22%	41.11%
18	36.00%	36.94%	37.87%	38.81%	39.78%	40.72%	41.65%	42.59%	43.52%
19	38.00%	38.99%	39.98%	40.96%	41.99%	42.98%	43.97%	44.95%	45.94%
20	40.00%	41.04%	42.08%	43.12%	44.20%	45.24%	46.28%	47.32%	48.36%
21	42.00%	43.09%	44.18%	45.28%	46.41%	47.50%	48.59%	49.69%	50.78%
22	44.00%	45.14%	46.29%	47.43%	48.62%	49.76%	50.91%	52.05%	53.20%
23	46.00%	47.20%	48.39%	49.59%	50.83%	52.03%	53.22%	54.42%	55.61%
24	48.00%	49.25%	50.50%	51.74%	53.04%	54.29%	55.54%	56.78%	58.03%
25	50.00%	51.30%	52.60%	53.90%	55.25%	56.55%	57.85%	59.15%	60.45%
26	52.00%	53.35%	54.70%	56.06%	57.46%	58.81%	60.16%	61.52%	62.87%
27	54.00%	55.40%	56.81%	58.21%	59.67%	61.07%	62.48%	63.88%	65.29%
28	56.00%	57.46%	58.91%	60.37%	61.88%	63.34%	64.79%	66.25%	67.70%
29	58.00%	59.51%	61.02%	62.52%	64.09%	65.60%	67.11%	68.61%	70.00%
30	60.00%	61.56%	63.12%	64.68%	66.30%	67.86%	69.42%	70.00%	70.00%
31	62.00%	63.61%	65.22%	66.84%	68.51%	70.00%	70.00%	70.00%	70.00%
32	64.00%	65.66%	67.33%	68.99%	70.00%	70.00%	70.00%	70.00%	70.00%
33	66.00%	67.72%	69.43%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
34	68.00%	69.77%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
35 or more	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%

Non-Contract Table A-1: Retirement Benefit Multipliers

Credited Years	Age at Retirement										
Of Service	53	54	55	56	57	58	59	60	61	62	63+
5	5.2%	5.5%	5.9%	6.3%	6.7%	7.2%	7.8%	8.3%	8.9%	9.5%	10.1%
6	6.2%	6.6%	7.1%	7.5%	8.1%	8.7%	9.3%	10.0%	10.7%	11.4%	12.1%
7	7.2%	7.7%	8.2%	8.8%	9.4%	10.1%	10.9%	11.7%	12.4%	13.3%	14.1%
8	8.2%	8.8%	9.4%	10.1%	10.8%	11.6%	12.4%	13.3%	14.2%	15.1%	16.1%
9	9.3%	9.9%	10.6%	11.3%	12.1%	13.0%	14.0%	15.0%	16.0%	17.0%	18.1%
10	10.2%	11.0%	11.8%	12.6%	13.5%	14.4%	15.5%	16.7%	17.8%	18.9%	20.1%
11	11.2%	12.1%	12.9%	13.8%	14.8%	15.9%	17.1%	18.3%	19.5%	20.8%	22.2%
12	12.3%	13.2%	14.1%	15.1%	16.2%	17.3%	18.6%	20.0%	21.3%	22.7%	24.2%
13	13.3%	14.3%	15.3%	16.3%	17.5%	18.8%	20.2%	21.7%	23.1%	24.6%	26.2%
14	14.4%	15.4%	16.5%	17.6%	18.9%	20.2%	21.7%	23.3%	24.9%	26.5%	28.2%
15	15.4%	16.5%	17.6%	18.9%	20.2%	21.7%	23.3%	25.0%	26.7%	28.4%	30.2%
16	16.4%	17.6%	18.8%	20.1%	21.5%	23.1%	24.8%	26.7%	28.4%	30.3%	32.2%
17	17.5%	18.7%	20.0%	21.4%	22.9%	24.5%	26.4%	28.3%	30.2%	32.2%	34.3%
18	18.5%	19.8%	21.2%	22.6%	24.2%	26.0%	27.9%	30.0%	32.0%	34.1%	36.3%
19	19.6%	20.9%	22.3%	23.9%	25.6%	27.4%	29.5%	31.7%	33.8%	36.0%	38.3%
20	20.6%	22.0%	23.5%	25.2%	26.9%	28.9%	31.0%	33.3%	35.5%	37.9%	40.3%
21	21.6%	23.1%	24.7%	26.4%	28.3%	30.3%	32.6%	35.0%	37.3%	39.7%	42.3%
22	22.7%	24.2%	25.9%	27.7%	29.6%	31.8%	34.1%	36.7%	39.1%	41.6%	44.3%
23	23.7%	25.3%	27.0%	28.9%	31.0%	33.2%	35.7%	38.3%	40.9%	43.5%	46.3%
24	24.8%	26.4%	28.2%	30.2%	32.3%	34.6%	37.2%	40.0%	42.6%	45.4%	48.4%
25	25.8%	27.5%	29.4%	31.4%	33.7%	36.1%	38.8%	41.7%	44.4%	47.3%	50.4%
26	26.9%	28.6%	30.6%	32.7%	35.0%	37.5%	40.3%	43.3%	46.2%	49.2%	52.4%
27	27.9%	29.7%	31.7%	34.0%	36.4%	39.0%	41.9%	45.0%	48.0%	51.1%	54.4%
28	29.0%	30.9%	32.9%	35.2%	37.7%	40.4%	43.4%	46.7%	49.8%	52.0%	56.4%
29	30.0%	32.0%	34.1%	36.5%	39.1%	41.9%	45.0%	48.3%	50.0%	55.0%	58.4%
30	31.1%	33.1%	35.3%	37.7%	40.4%	43.4%	46.5%	50.0%	51.0%	55.5%	60.0%
31	32.1%	34.2%	36.5%	39.0%	41.7%	44.8%	48.1%	51.0%	51.5%	56.0%	60.0%
32	33.2%	35.3%	37.6%	40.2%	43.1%	46.2%	49.6%	51.5%	52.0%	56.5%	60.0%
33	34.3%	36.5%	38.8%	41.5%	44.4%	47.6%	50.0%	52.0%	52.5%	57.0%	60.0%
34	35.4%	37.6%	40.0%	42.8%	45.8%	49.1%	51.0%	52.5%	53.0%	57.5%	60.0%
35 or more	36.5%	38.7%	41.2%	44.0%	47.1%	50.0%	51.5%	53.0%	53.5%	58.0%	60.0%

Non-Contract Table A-2: Retirement Benefit Multipliers

Credited Years Of Service	Age at Retirement										
	53	54	55	56	57	58	59	60	61	62	63+
5	8.71%	9.33%	10.00%	10.26%	10.52%	10.78%	11.05%	11.31%	11.57%	11.83%	12.09%
6	10.45%	11.20%	12.00%	12.31%	12.62%	12.94%	13.26%	13.57%	13.88%	14.20%	14.51%
7	12.19%	13.06%	14.00%	14.36%	14.73%	15.09%	15.47%	15.83%	16.20%	16.56%	16.93%
8	13.94%	14.93%	16.00%	16.42%	16.83%	17.25%	17.68%	18.10%	18.51%	18.93%	19.34%
9	15.68%	16.79%	18.00%	18.47%	18.94%	19.40%	19.89%	20.36%	20.83%	21.29%	21.76%
10	17.42%	18.66%	20.00%	20.52%	21.04%	21.56%	22.10%	22.62%	23.14%	23.66%	24.18%
11	19.16%	20.53%	22.00%	22.57%	23.14%	23.72%	24.31%	24.88%	25.45%	26.03%	26.60%
12	20.90%	22.39%	24.00%	24.62%	25.25%	25.87%	26.52%	27.14%	27.77%	28.39%	29.02%
13	22.65%	24.26%	26.00%	26.68%	27.35%	28.03%	28.73%	29.41%	30.08%	30.76%	31.43%
14	24.39%	26.12%	28.00%	28.73%	29.46%	30.18%	30.94%	31.67%	32.40%	33.12%	33.85%
15	26.13%	27.99%	30.00%	30.78%	31.56%	32.34%	33.15%	33.93%	34.71%	35.49%	36.27%
16	27.87%	29.86%	32.00%	32.83%	33.66%	34.50%	35.36%	36.19%	37.02%	37.86%	38.69%
17	29.61%	31.72%	34.00%	34.88%	35.77%	36.65%	37.57%	38.45%	39.34%	40.22%	41.11%
18	31.36%	33.59%	36.00%	36.94%	37.87%	38.81%	39.78%	40.72%	41.65%	42.59%	43.52%
19	33.10%	35.45%	38.00%	38.99%	39.98%	40.96%	41.99%	42.98%	43.97%	44.95%	45.94%
20	34.84%	37.32%	40.00%	41.04%	42.08%	43.12%	44.20%	45.24%	46.28%	47.32%	48.36%
21	36.58%	39.19%	42.00%	43.09%	44.18%	45.28%	46.41%	47.50%	48.59%	49.69%	50.78%
22	38.32%	41.05%	44.00%	45.14%	46.29%	47.43%	48.62%	49.76%	50.91%	52.05%	53.20%
23	40.07%	42.92%	46.00%	47.20%	48.39%	49.59%	50.83%	52.03%	53.22%	54.42%	55.61%
24	41.81%	44.78%	48.00%	49.25%	50.50%	51.74%	53.04%	54.29%	55.54%	56.78%	58.03%
25	43.55%	46.65%	50.00%	51.30%	52.60%	53.90%	55.25%	56.55%	57.85%	59.15%	60.45%
26	45.29%	48.52%	52.00%	53.35%	54.70%	56.06%	57.46%	58.81%	60.16%	61.52%	62.87%
27	47.03%	50.38%	54.00%	55.40%	56.81%	58.21%	59.67%	61.07%	62.48%	63.88%	65.29%
28	48.78%	52.25%	56.00%	57.46%	58.91%	60.37%	61.88%	63.34%	64.79%	66.25%	67.70%
29	50.52%	54.11%	58.00%	59.51%	61.02%	62.52%	64.09%	65.60%	67.11%	68.61%	70.00%
30	52.26%	55.98%	60.00%	61.56%	63.12%	64.68%	66.30%	67.86%	69.42%	70.00%	70.00%
31	54.00%	57.85%	62.00%	63.61%	65.22%	66.84%	68.51%	70.00%	70.00%	70.00%	70.00%
32	55.74%	59.71%	64.00%	65.66%	67.33%	68.99%	70.00%	70.00%	70.00%	70.00%	70.00%
33	57.49%	61.58%	66.00%	67.72%	69.43%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
34	59.23%	63.44%	68.00%	69.77%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
35 or more	60.97%	65.31%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%

Table B: Alternate Retirement Formula Multipliers

Credited Years Of Service	Percentage
10	20.1%
11	22.2%
12	24.2%
13	26.2%
14	28.2%
15	30.2%
16	32.2%
17	34.3%
18	36.3%
19	38.3%
20	40.3%
21	42.3%
22	44.3%
23	46.3%
24	48.4%
25	50.4%
26	52.4%
27	54.4%
28	56.4%
29	58.4%
30	60.4%
31	62.5%
32	64.5%
33	66.5%
34	68.5%
35 or more	70.5%

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. C4

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

January 10, 2013

SUBJECT:

LOSSAN JOINT POWERS AUTHORITY AND MANAGING AGENCY (BRENT BOYD AND SHARON COONEY)

RECOMMENDATION:

That the Executive Committee forward a recommendation to the Board to:

1. approve by MTS Resolution No. 13-2 (Attachment) the amended Joint Powers Authority for the LOSSAN Rail Corridor Agency; and
2. direct staff to submit a proposal to become the LOSSAN Managing Agency.

Budget Impact

The San Diego region's share of the annual start-up budget is estimated to be $130,000-$170,000 for up to two years. This could be shared by North County Transit District and the San Diego Association of Governments (SANDAG). There should be no budget impact after the start-up period since all costs associated with the agency are assumed to be covered by state funding.

DISCUSSION:

The LOSSAN (Los Angeles-San Diego-San Luis Obispo) Agency is a joint-powers authority comprised of rail owners, operators, and regional transportation agencies from San Diego to Los Angeles and San Luis Obispo. The current joint-powers authority has limited decision-making power as major decisions regarding Amtrak's Pacific Surfliner intercity passenger rail service are made primarily by Caltrans.

Senate Bill 1225 (SB 1225) authorized the LOSSAN Agency to reconstitute itself to manage the state-supported Pacific Surfliner service, which provides 11 daily round-trips on the corridor. The Pacific Surfliner is one of three state-supported intercity corridors in the state, and together with the Capitol and San Joaquin Corridors, makes up 20 percent of Amtrak ridership nationwide. The LOSSAN Agency would also work with other operators on the corridor (long-distance Amtrak routes, COASTER and Metrolink commuter rail services, and freight rail) but would not manage those services. SB 1225 is permissive and does not require a local authority; however, two actions are required in order for this transfer to take place: (1) all current LOSSAN member agencies must approve an amended JPA, and (2) the LOSSAN Agency and the state must successfully negotiate an Interagency Transfer Agreement (ITA).

The amended JPA enables the LOSSAN Agency to assume the following responsibilities:

1. Administer and manage the intercity passenger rail operations of LOSSAN rail corridor

2. Plan, program, and fund improvements for intercity rail passenger services and facilities

3. Negotiate for and accept funds to be expended for passenger rail service

4. Review and comment on facility, service, and operational plans and programs

5. Coordinate facility, service, and operational plans and programs with other agencies operating rail-passenger service in Southern California

6. Advocate before local, regional, and federal officials for improvements to services and facilities

The presumed advantages of local authority would be a more efficient and cost-effective allocation of resources and decision-making related to service expansion, frequencies, spans, etc.; a unified Southern California voice at state and federal levels; coordinated passenger services and capital improvement priorities; and more focused oversight and management of operations.

However, assuming local control does not come without risks. Such risks include the continued state support for intercity rail services, control of the rolling stock (the majority of which is Amtrak-owned), and the creation of an effective management structure for the JPA.

The Pacific Surfliner requires roughly $100 million to operate annually. Fares provide $58 million, the State of California contributes $28 million, and Amtrak funds the remaining $14 million. Amtrak also provides some capital maintenance expenditures. The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) requires that Amtrak stop investing in routes that are shorter than 750 miles (including the Pacific Surfliner). Consequently, the state will need to provide as much as an additional $19 million annually to fund the Amtrak portion of both operations and capital maintenance. SB 1225 commits state funding at 2014 levels for an initial period of three years, but if the state reduces funding in the future, the LOSSAN Agency would need to decide if local resources would be required to operate the same level of service, if fares would need to be increased, if service would need to be decreased, or other measures. The Capitol Corridor intercity service between Sacramento and San Francisco has operated under local management since 1999, and no local funding has been required despite increased levels of service from 8 daily trips to currently 30.

Another risk is the ownership of the rolling stock. The majority of the passenger cars (40 of 50) and all 10 locomotives used on the Pacific Surfliner are owned by Amtrak. Amtrak has the ability to move the rolling stock off of the corridor, so it will be important for the state to purchase these or additional vehicles to operate the Pacific Surfliner service. All intercity equipment running along the Capitol and San Joaquin Corridors is state-owned.

The third major risk is the creation of an effective management structure for the JPA. There will be a contract with a member agency to serve as the Managing Agency to house and support staff. It will be the responsibility of the Managing Agency and LOSSAN Agency to hire qualified management and technical staff to support operations.

All current member agencies must approve the amended JPA. Contingent upon this action, the LOSSAN Agency operating under the amended JPA will select a member agency to serve as the Managing Agency and oversee day-to-day operations. The Managing Agency will then negotiate the ITA with the state. SB 1225 states that the ITA could be effective as early as July 2014, in which case local authority for intercity operations would begin at that point.

In addition to voting whether or not to approve the amended JPA, MTS must also decide on whether it wants to submit a proposal to serve as the Managing Agency.

According to the LOSSAN Strategic Implementation Plan, the Managing Agency will have the following responsibilities:

1. Negotiate and recommend the award of all necessary agreements for the JPA
2. Manage all agreements entered into by the JPA
3. Implement projects contained in the approved capital budget
4. Provide for the maintenance and management of JPA property
5. Provide a risk-management program
6. Seek, obtain, and administer grants
7. Develop and implement marketing programs
8. Prepare and submit financial reports
9. Prepare business plans
10. Report regularly to the Governing Board regarding corridor issues
11. Recommend changes in LOSSAN corridor fares and collection of fares
12. Recommend changes in scheduling and levels of service
13. Prepare and implement changes in scheduling and fares
14. Prepare capital and operating budgets
15. Facilitate interaction with other entities involved in operation, construction, and renovation of corridor rail service
16. Negotiate with any other public or private transportation providers as necessary to ensure coordinated service in the corridor

The Managing Agency would have its costs covered by the state. These costs would be negotiated as part of the ITA and are anticipated to be in the $4 million to $5 million range annually to cover staffing, overhead, and marketing costs.

The Managing Agency will hire new positions dedicated to LOSSAN and it is expected that the member agency would share some existing positions at roughly 25% of their time for LOSSAN business. The business implementation plan estimates that 11 new positions would need to be created and 7 existing positions would be shared (general counsel, director of marketing and communications, executive assistant, finance manager, accounting assistant, procurement assistant, and human resources assistant). Further refinement of the staffing plan is necessary and, if MTS were to pursue being the Managing Agency, the feasibility of the shared positions would have to be further analyzed.

It is expected that the LOSSAN Agency would be run by a managing director who would be an employee of the Managing Agency but would report to the LOSSAN Board of Directors.

The stated key components for the Managing Agency include the following:

1. Large enough amount of support staff to handle finances and business practices ($100 million to $135 million in operating costs)
2. Familiarity with federal grant programs and procedures
3. Legal support, accounting, budgeting, etc.
4. Expertise in rail planning and operations
5. Constructive relationship with Caltrans, Amtrak, Union Pacific, and BNSF Railway
6. Respect and confidence of other LOSSAN agencies
7. Focus and commitment to grow LOSSAN service

MTS is capable of meeting all of these requirements. While the specific time line for submitting proposals to LOSSAN has not been finalized, it is anticipated that it could be as early as March/April 2013. The Managing Agency would be selected to serve both during a start-up period to lead negotiations with the state and for a three-year initial term as specified in the ITA.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachments: A. Board Resolution No. 13-2
B. Amended LOSSAN JPA Agreement

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 13-2

Resolution Authorizing the Approval of the Los Angeles-San Diego-San Luis Obispo (LOSSAN) Agency Amended Joint Powers Agreement

WHEREAS, the LOSSAN Agency is a joint powers authority that oversees intercity passenger rail service in the six-county coastal rail corridor between San Diego, Los Angeles, and San Luis Obispo; and

WHEREAS, the members of the LOSSAN Agency include the rail owners and operators and regional transportation planning agencies in this six-county region; and

WHEREAS, the San Diego Metropolitan Transit System is a member of the LOSSAN Agency; and

WHEREAS, Amtrak operates the Pacific Surfliner intercity passenger rail service in the corridor with administrative oversight and management by the California Department of Transportation (Caltrans); and

WHEREAS, Senate Bill 1225 (SB 1225) allows the LOSSAN rail corridor agency to amend the Joint Powers Agreement (JPA) to expand the authority of the agency to permit the administration of state-funded Pacific Surfliner intercity passenger rail services on the LOSSAN corridor and elect to become party to an Interagency Transfer Agreement (ITA) with the State; and

WHEREAS, SB 1225 requires that member agencies approve an amended JPA for the LOSSAN Agency that expands the authority of the agency to permit the administration of state-funded intercity passenger rail services on the LOSSAN Corridor;

NOW THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Metropolitan Transit System Board of Directors that San Diego Metropolitan Transit System is authorized to approve the amended JPA for the LOSSAN Agency.

PASSED AND ADOPTED, by the Board of Directors this ___ day of ___________ 2013 by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairperson
San Diego Metropolitan Transit System

Filed by:

Clerk of the Board
San Diego Metropolitan Transit System

Approved as to form:

Office of the General Counsel
San Diego Metropolitan Transit System

2013 AMENDMENT TO THE

JOINT POWERS AGREEMENT

CONCERNING THE LOS ANGELES-SAN DIEGO-SAN LUIS OBISPO CORRIDOR RAIL AGENCY

INTRODUCTION

This Agreement is made and entered into in the State of California by and among the LOSSAN Agency Governing Board and the following public agencies that are parties of this Agreement:

Los Angeles County Metropolitan Transportation Authority;

Orange County Transportation Authority;

Riverside County Transportation Commission;

North County Transit District;

San Diego Metropolitan Transit System;

California Department of Transportation;

Southern California Association of Governments;

San Diego Association of Governments;

Ventura County Transportation Commission;

Santa Barbara County Association of Governments;

San Luis Obispo Council of Governments;

National Railroad Passenger Corporation;

California High-Speed Rail Authority;

RECITALS

WHEREAS, some, but not all of the parties to this Agreement had entered into that certain joint exercise of powers agreement to establish the Los Angeles-San Diego Corridor Rail Agency (Agency), effective February 6, 1989, but desire to amend and restate such existing joint exercise of powers agreement as provided herein; and

WHEREAS, the parties to this Agreement recognize the need for a public agency to oversee increases in the level of intercity passenger rail service in the travel corridor between San Diego, Los Angeles and San Luis Obispo, and improvements to the facilities that will ensure reduced travel times and that will aid the joint operation of freight and passenger service in the Corridor; and

WHEREAS, the Los Angeles-San Diego State Rail Corridor Study Group created pursuant to Senate Bill 1095 (Chapter 1313, Statutes of 1985) analyzed the feasibility of increasing the level of intercity passenger service in the corridor and instituting commuter rail service from San Clemente to Union Station in Los Angeles and from Oceanside to San Diego; identified and recommended improvements to track and right-of-way to accommodate the higher levels of service; and recommended the creation of a joint exercise of powers agency to oversee the implementation of additional intercity rail passenger service and the necessary track improvements; and

WHEREAS, rail service on the coast corridor has been extended to Ventura, Santa Barbara, and San Luis Obispo Counties; and

WHEREAS, the parties to this Agreement believe that the joint exercise of their powers will provide an organization capable of implementing the recommendations contained in both the State Rail Corridor Study Group's June 1987 report entitled, *Los Angeles-San Diego State Rail Corridor Study*, and the April 2012 *LOSSAN Corridorwide Strategic Implementation Plan* and assist related efforts to coordinate corridor rail services and to improve corridor services and facilities; and

WHEREAS, each party to this Agreement is authorized to contract with each other for the joint exercise of any common power under Article I, Chapter 5, Division 7, Title 1 of the Government Code of the State of California; and

WHEREAS, an act to amend Sections 14031.8, 14070.2, 14070.4, and 14070.6 of, and to add Section 14070.7 to, and to repeal and add Article 5.2 (commencing with Section 14072) of Chapter 1 of Part 5 of Division 3 of Title 2 of, the Government Code, relating to transportation and known as the Intercity Passenger Rail Act of 2012 (SB 1225), authorized expansion of the authority of the LOSSAN Corridor Rail Agency, through an amendment to the existing Joint Exercise of Powers Agreement; and

WHEREAS, SB 1225 authorizes the Agency, beginning on June 30, 2014, to enter into an Interagency Transfer Agreement with the State of California, with an initial term of three years (Initial Term) commencing with the transfer of the responsibilities for administering state-funded intercity rail passenger service in the LOSSAN Corridor from the State to the Agency; and

WHEREAS, the Agency will, through the Interagency Transfer Agreement, succeed to the State's current agreement with Amtrak for the operation of the LOSSAN Corridor Rail Service and may initiate changes in said agreement or, in the future, may, through a competitive solicitation process, contract with Amtrak, or other organizations not precluded by State or Federal law to provide passenger rail services, to operate the rail service; and

WHEREAS, the Agency may contract with one of its Member Agencies, Associate Agencies or any commuter rail agency which uses the same facilities to provide commuter rail services as are used by the intercity passenger rail corridor service, called the Managing Agency, to provide all necessary administrative support to the Agency in order to prepare and negotiate the Interagency Transfer Agreement and to perform the Agency's duties and responsibilities during the Initial Term of the Interagency Transfer Agreement; and

WHEREAS, the Agency will initiate a process for selection of a Managing Agency which shall begin upon the effective date of the Agreement as amended per SB 1225 and shall continue during a transition period (Transition Period) until such time as a Managing Agency is selected and contracts with the Agency to serve in that capacity as called for in Section 8.0 below; and

WHEREAS, at the conclusion of the Initial Term, the Agency may, through procedures that it determines, select a Managing Agency, for a subsequent three year term to continue to administer the rail service under the direction of the Agency; and

WHEREAS, the Managing Agency shall produce a business plan (Business Plan) for approval by the Agency for each of the initial three years of operation of the service which shall describe the methods by which the Agency will administer rail service and seek to increase ridership in the LOSSAN Corridor and which shall be updated and submitted by the Agency to the Secretary of the Business, Transportation and Housing Agency by April 1 of each year; and

WHEREAS, there are three previous amendments to this JPA, effective 2001, 2010, and 2011;

NOW THEREFORE, in consideration of the recitals, the parties to this Agreement agree to the following:

1.0 DEFINITIONS

1.1 **Agency** means the Los Angeles-San Diego-San Luis Obispo Corridor Rail Agency.

1.2 **Governing Board** or Board means the Board of Directors of the Agency.

1.3 **LOSSAN** is the acronym for Los Angeles-San Diego-San Luis Obispo.

1.4 **Voting member agencies (Member Agency)** mean Los Angeles County Metropolitan Transportation Authority, Orange County Transportation Authority, Riverside County Transportation Commission, San Diego Metropolitan Transit System, North County Transit District, San Diego Association of Governments, Ventura County Transportation Commission, Santa Barbara County Association of Governments, and San Luis Obispo Council of Governments.

1.5 **Ex-officio non-voting associate agencies (Associate Agency)** mean the Southern California Association of Governments, the National Railroad Passenger

Corporation (Amtrak), California High-Speed Rail Authority and the California Department of Transportation.

1.6 **LOSSAN Corridor Rail Service** means Pacific Surfliner intercity passenger rail service that operates on the LOSSAN Corridor, which is a 351 mile long intercity and commuter rail corridor, stretching from San Diego in the south, up the coast to Orange County, Los Angeles County, Ventura County, and Santa Barbara County to San Luis Obispo County.

1.7 **Regional Transportation Planning Agency** means an entity authorized to prepare a regional transportation plan pursuant to Government Code Section 65080.

1.8 **Corridor City** means a city adjacent to the LOSSAN Corridor right-of-way.

1.9 **LOSSAN Regions** are defined as North Region: Ventura County, Santa Barbara County and San Luis Obispo County; Central Region: Los Angeles County; South Region: San Diego County; South Central Region: Orange County and Riverside County.

1.10 **Fiscal Year** means from July 1 to and including the following June 30.

1.11 **California State Rail Plan** is prepared every two years by the California Department of Transportation as an examination of passenger and freight rail transportation in California, in accordance with Section 14036 of the Government Code.

1.12 **Member Agency** shall mean each of those voting governmental entities set forth in paragraph 1.4 to this Agreement that have executed this Agreement and that have not withdrawn from the Agency.

1.13 **Business Plan** shall mean the business plan to be submitted by the Agency to the Secretary of the Business, Transportation and Housing Agency covering the initial three year term of the Agreement as mandated by Section 14070.4(b) and updated and submitted annually thereafter.

1.14 **Interagency Transfer Agreement** shall mean the agreement provided for in Section 14070.2(a) whereby the State of California will transfer all responsibility for administering the LOSSAN Corridor Rail Service to the Agency.

1.15 **Interim Workplan** shall mean the workplan proposed for the period commencing with the execution of the Managing Agency contract called for in Section 12.0 and ending with the then current fiscal year.

1.16 **Initial Term** shall mean the period that begins with the transfer of responsibilities from the California Department of Transportation to the Agency and continues for a three-year period.

1.17 **Managing Agency** means the Member Agency or Associate Agency or any commuter rail agency which uses the same facilities to provide commuter rail services as are used by the intercity passenger rail corridor service that has been selected by the Agency and has contracted with the Agency to provide all necessary administrative support to the Agency in order to prepare and assist in negotiating the Interagency Transfer Agreement, and to perform the Agency's duties and responsibilities during the Initial Term of the Interagency Transfer Agreement and any subsequent terms.

1.18 **Managing Director** means the director of LOSSAN Agency who is an employee of the Managing Agency. The Managing Director reports to and serves at the pleasure of the Governing Board.

1.19 **Transition Period** means the time period beginning with the effective date of the 2013 amendment to this Agreement in or around January 2013 and continuing until the effective date of a contract between the Agency and the Managing Agency to provide Managing Agency services to the Agency as called for in Section 12.0 below.

2.0 CREATION OF AGENCY

There is hereby created an organization to be known as the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency, hereafter Agency, which shall be a public entity separate and apart from any member agency. The Agency shall be governed by the terms of this Joint Powers Agreement and any Bylaws passed and adopted by its Governing Board.

3.0 PURPOSES

The specific purposes for the creation of the Agency and the exercise of common powers are as follows:

3.1 Administer and manage the operations of the LOSSAN Corridor Rail Service as part of the California Passenger Rail System.

3.2 Plan, program, and fund improvements for intercity rail passenger services and facilities in the LOSSAN Corridor, including the acquisition or leasing of right-of-way, stations and station sites; the leasing or acquisition of equipment; and related activities.

3.3 Negotiate for and accept funds to be expended for the purpose of providing and improving intercity rail passenger services and activities.

3.4 Review and comment on facility, service, and operational plans and programs of the agency or agencies operating commuter rail service in the LOSSAN Corridor.

3.5 Coordinate facility, service, and operational plans and programs with other organizations, providing rail passenger service in the Southern California Region or with whom the Agency may share common facilities, including the agency or agencies operating commuter rail service in the LOSSAN Corridor, the BNSF Railway and Union Pacific or their successor corporations, the National Railroad Passenger Corporation (Amtrak), California Department of Transportation and the California High Speed Rail Authority.

3.6 Advocate before local, regional, state, and federal officials and agencies for improvements to services and facilities for the corridor.

4.0 POWERS OF THE LOS ANGELES-SAN DIEGO-SAN LUIS OBISPO CORRIDOR RAIL AGENCY

As may be necessary for the accomplishment of the purposes of this Agreement, the Agency shall have the power in its own name to undertake the following:

4.1 To exercise in the manner provided by this Agreement the powers common to each of the voting members and necessary to the accomplishment of the purposes of this Agreement.

4.2 To make and enter into contracts.

4.3 To negotiate and approve an Interagency Transfer Agreement whereby the State of California will transfer all responsibility for administering the LOSSAN Corridor Rail Service, including associated feeder bus service, to the Agency.

4.4 To employ agents and employees.

4.5 To contract for the services deemed necessary to meet the purposes of the Agency.

4.6 To acquire, by lease, purchase, or lease-purchase, and to hold and dispose of real and personal property necessary to carry out the purposes of this Agreement.

4.7 To construct, manage, and maintain facilities and services.

4.8 To sue and be sued in its own name.

4.9 To incur debts, liabilities, or obligations. However, the debts, liabilities, and obligations of the Agency shall not constitute any debt, liability, or obligation of any of the Member Agencies that are parties to this Agreement.

4.10 To apply for and accept grants for financial aid pursuant to any applicable state or federal statutes.

4.11 To exercise any of the powers set forth in Section 6508 of the Government Code. In exercising these powers, the Agency is subject to the restrictions upon the manner of exercising the powers of the Los Angeles County Metropolitan Transportation Authority or its successor agency.

4.12 To develop procedures for selecting a Managing Agency and to select such a Managing Agency.

4.13 To exercise such other powers and to engage in such other activities as are authorized by law and approved by the Governing Board.

4.14 All powers of the Agency shall be exercised by the Governing Board.

5.0 GOVERNING BOARD OF THE LOS ANGELES-SAN DIEGO-SAN LUIS OBISPO CORRIDOR RAIL AGENCY

The composition of the membership of the Governing Board shall be as follows:

5.1 Voting Members of the Governing Board (Member Agencies)

The Governing Board shall be selected and composed as follows and each member agency's appointee(s) shall have one vote unless otherwise noted:

5.1.1. Two members appointed by the Los Angeles County Metropolitan Transportation Authority; one from its own membership or former membership, and one from its own membership, former membership or selected by the Authority from a LOSSAN Corridor city.

5.1.2. Two members appointed by the Orange County Transportation Authority selected from its own membership or former membership.

5.1.3. A member appointed by the Riverside County Transportation Commission selected from its own membership or former membership.

5.1.4. A member appointed by the San Diego Metropolitan Transit System selected from its own membership or former membership.

5.1.5. A member appointed by the North County Transit District selected from its own membership or former membership.

5.1.6. A member appointed by the San Diego Association of Governments selected from its own membership or former membership.

5.1.7. While three members of the Governing Board shall represent San Diego County (San Diego Metropolitan Transit System, North County Transit District, and San Diego Association of Governments), these three members shall have a total of two votes. This voting procedure shall be specified by separate agreement among the three San Diego County member agencies.

5.1.8. A member appointed by the Ventura County Transportation Commission selected from its own membership or former membership.

5.1.9. A member appointed by the Santa Barbara County Association of Governments selected from its own membership or former membership.

5.1.10. A member appointed by the San Luis Obispo Council of Governments selected from its own membership or former membership.

5.1.11. Each voting member agency may appoint alternates to serve in the absence of the regular appointee.

5.2 Ex-Officio Members of the Governing Board (Associate Agencies)

5.2.1. The Southern California Association of Governments shall be a non-voting, ex-officio member of the Governing Board and shall designate a representative to the Governing Board.

5.2.2. The National Railroad Passenger Corporation (Amtrak) shall be a non-voting, ex-officio member of the Governing Board and shall designate a representative to the board, preferably from its Board of Directors.

5.2.3. California High-Speed Rail Authority shall be a non-voting, ex-officio member of the Governing Board and shall designate a representative to the board, preferably from its Board of Directors.

5.2.4. The California Department of Transportation (Caltrans) shall be a non-voting, ex-officio member of the Governing Board and shall designate a representative to the board.

5.2.5. Each ex-officio member may appoint alternates to serve in the absence of the regular appointee.

6.0 RELATIONSHIP OF THE LOS ANGELES-SAN DIEGO-SAN LUIS OBISPO CORRIDOR RAIL AGENCY TO EXISTING AND FUTURE COMMUTER RAIL AGENCIES

6.1 The Agency will endeavor to ensure that there is coordination between itself and any commuter rail agency which uses the same facilities to provide commuter rail services as are used by the intercity passenger rail corridor service.

6.2 The parties to this agreement acknowledge and confirm that nothing contained in this Joint Powers Agreement shall abrogate or diminish any then current ownership rights, access and use agreements, funding sources and allocation, operating rights and agreements of any party. The Agency acknowledges and shall respect at all times the precedence established based on the aforementioned and shall not seek or support regulatory or legislative changes or remedies that would materially reduce any then current agreement or right, unless otherwise agreed to by the affected Member Agencies.

6.3 The parties further agree that the scope of this Joint Powers Agreement is limited to intercity rail service as defined in Department of Transportation regulations. Accordingly, the Agency shall recognize at all times the governing authority of parties that operate services other than intercity rail service and shall not seek or support any regulatory or legislative changes or remedies that would abrogate, diminish, and or materially change the roles and responsibilities of such parties with respect to such services, unless otherwise agreed to by the affected Member Agencies.

6.4 No party shall be obligated to incur new costs or liabilities relating to commuter and intercity operations other than from its own operations. Enhanced coordination of service shall consider impacts to existing passenger rail service.

7.0 AGENCY MANAGEMENT DURING THE TRANSITION PERIOD

The Intercity Passenger Rail Act of 2012 (SB 1225) authorized the Agency to reconstitute itself with an amended joint powers agreement. Only the Agency operating under the amended joint powers agreement, and not the Agency existing on January 1, 2013, may exercise jurisdiction over intercity rail services on the LOSSAN corridor under an Interagency Transfer Agreement.

This Agreement reconstitutes the Agency as anticipated by SB 1225 and establishes significant duties for a Managing Agency who will be selected by, and enter into a contract with, the Agency. One significant duty of the Managing Agency is to assist the Agency in preparing and negotiating an Interagency Transfer Agreement which will allow the transfer of intercity rail services on the LOSSAN corridor from the State of California to the Agency beginning as soon as June 30, 2014.

During the Transition Period between the effective date of this Agreement as amended per SB 1225 and the effective date of a contract between the Agency and the Managing Agency, the San Diego Association of Governments will serve as the Transitional Managing Agency. During the Transition Period, the San Diego Association of Governments will provide professional staff assistance to the Agency at a level no greater than it provided during the first half of the fiscal year 2012-2013. Whenever this Agreement establishes duties or appointments for the Managing Agency or its officers, those duties or appointments will be the responsibility of the Transitional Managing Agency and its officers during the Transition Period, but only to the extent such duties correspond with the past practice of the Transitional Managing Agency and the Agency or as otherwise required by law.

8.0 MANAGING AGENCY

Subject to the policy direction and control of the Governing Board, and subject further to the terms, conditions and requirements of its contract with the Agency, the Managing Agency shall begin service upon the effective date of its contract and continue through the Initial Term and in that capacity shall provide all necessary administrative support to the Agency.

The Managing Director, to be appointed by the Governing Board, shall be an employee of the Managing Agency and an officer of the Agency and shall lead the administrative support duties for the LOSSAN Corridor Rail Service. Employees of the Managing Agency who have as their responsibility the support of the LOSSAN Corridor Rail Service shall report to the Managing Director. The Managing Director shall solicit the input and participation of the other agencies and endeavor to achieve consensus while providing administrative support to the Agency.

The Managing Agency staff dedicated to serve the LOSSAN Corridor Rail Service and under the supervision of the Managing Director, as well as the shared Managing Agency administrative support staff, will perform the following duties regarding the administrative support of the Agency:

8.1 Negotiate and recommend the award of all necessary agreements for the Agency, including but not limited to an Interagency Transfer Agreement, agreements for the provision of passenger rail services, and use of tracks and other facilities, subject to approval by the Governing Board;

8.2 Manage all agreements entered into by the Agency;

8.3 Implement projects contained in the approved capital budget unless the administration of particular capital projects is more appropriately managed in another manner, such as by an individual agency or a local government, as determined by the Governing Board;

8.4 Provide for the maintenance and management of such property as may be owned or controlled by the Agency unless the administration of that property is more appropriately managed in another manner, such as by an individual agency or a local government, as determined by the Governing Board;

8.5 Provide a risk management program to cover the Governing Board and each of the agencies in the performance of their duties pursuant to this Agreement, and seek appropriate insurance coverage to implement such risk management program;

8.6 Seek, obtain and administer grants, subject to the provisions of Section 9.0 below;

8.7 Develop and implement marketing programs;

8.8 Prepare and submit financial reports;

8.9 Prepare for approval by the Governing Board the Business Plan;

8.10 Report regularly to the Governing Board regarding LOSSAN Corridor issues;

8.11 Recommend changes in LOSSAN Corridor Rail Service fares and the collection of fares to the Agency;

8.12 Recommend changes in scheduling and levels of service to the Agency;

8.13 Prepare and implement changes in scheduling and fares, subject to required public involvement;

8.14 Prepare capital and operating budgets for presentation to the Agency;

8.15 Facilitate interaction with other entities involved in operation, construction and renovation of the LOSSAN Corridor Rail Service; and

8.16 Negotiate with any other public or private transportation providers as necessary to ensure coordinated service with the LOSSAN Corridor Rail Service.

9.0 SOLICITATION OF GRANTS

The Managing Agency shall pursue any and all sources of funding for the Agency; provided, however, that neither the Managing Agency, on behalf of the Agency, nor the Governing Board shall apply for Transportation Development Act Funds as defined in Chapter 4, Part 11, Division 10 of the California Public Utilities Code or for any conflicting funding that any Member Agency is also an applicant or approving Member Agency for without the express consent of that Member Agency.

10.0 BUDGET AND FUNDING

10.1 The Managing Agency shall prepare and submit to the Governing Board for approval within thirty days of the effective date of its contract with the Agency the Interim Workplan, which shall include recommendations for start-up funding needs and sources of funding therefor.

10.2 The Managing Agency shall prepare and submit to the Governing Board for approval a preliminary operating and capital budget for the succeeding fiscal year by April 1 of each year which is consistent with the prior Business Plan submitted. Upon receipt of an annual allocation from the State, the Agency shall by resolution adopt a final budget at the next regularly scheduled meeting of the Governing Board. The fiscal year shall be July 1 of each year to and including the following June 30. The budget shall include separate components for Managing Agency administration costs, operations, and capital costs anticipated to be incurred by the Agency during the fiscal year. The annual budget resolution shall set forth the authority of the Managing Agency to make capital and operating expenditures during the fiscal year, subject to such policy guidelines as the Governing Board may establish.

10.3 It is the intent of the Agency to fully fund the annual budget from State and other non-Agency funding sources, such as fares and other operating revenues. The Agency shall not operate at a deficit.

10.4 No funding, debt, or financial obligation is created against any agency solely as a consequence of executing this Agreement and no funding, debt, or financial obligation approved by the Governing Board and/or incurred by the Agency shall be binding against a Member Agency unless and until ratified by that Member Agency's governing body.

11.0 LIABILITY OF AGENCY, OFFICERS AND EMPLOYEES

The debts, liabilities, and obligations of the Agency shall not be the debts, liabilities and obligations of any of the Member Agencies, the Managing Agency or any of their respective members, officers, directors, employees or agents. Any obligations incurred by any bonds issued by the Agency as set forth in Section 4.9 above shall not constitute general obligations of the Agency but shall be payable solely from the moneys pledged to the repayment of such obligations or the repayment of principal or interest on such bonds under the terms of the resolution, indenture, trust agreement, contract or other instrument pursuant to which the obligation is incurred or the bonds are issued. The Agency and the Managing Agency, their directors, officers, employees, staff and agents shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No agency or Agency member, officer, director or employee shall be responsible for any action taken or omitted by any other agency or Governing Board member, officer, director or employee. The Agency shall indemnify, defend and hold harmless the Governing Board, the individual Member Agencies, their members, officers, directors, employees and agents from and against any and all liability, loss, damage, expenses, costs (including, without limitation, costs and fees of litigation or arbitration) of every nature, arising out of any act or omission related to this Agreement, except such loss or damage which was caused by the willful misconduct of the Governing Board or any individual member agency. The Agency's duty to indemnify each Member Agency shall survive that member agency's withdrawal from the Agency.

12.0 SERVICES BY MANAGING AGENCY

Subject to the provisions of Section 8 above, the Agency shall enter into a formal contract with the Managing Agency for the services it will perform pursuant to this Agreement, and the compensation for such services.

13.0 EFFECTIVE DATE OF AGREEMENT

This Agreement shall take effect upon its execution by the Chairs of the Los Angeles County Metropolitan Transportation Authority, the Orange County Transportation

Authority, the Riverside County Transportation Commission, the San Diego Metropolitan Transit System, the North County Transit District, the San Diego Association of Governments, the Ventura County Transportation Commission, the Santa Barbara County Association of Governments and the President of the San Luis Obispo Council of Governments, pursuant to resolutions of each body authorizing such execution and shall remain in full force and effect until dissolved pursuant to the provisions herein, however, in no event shall the Agreement become effective prior to January 2, 2013.

14.0 OFFICERS AND APPOINTEES OF THE GOVERNING BOARD AND THE AGENCY

14.1 The officers of the Governing Board, selected from among its voting membership, shall be a Chair and Vice-Chair. The term of office shall be one year.

14.2 The officers of the Agency shall be:

14.2.1. The Treasurer of the Managing Agency, designated by a majority of a quorum of the Governing Board, may serve as the Treasurer of the Agency. The Treasurer shall be the depository of funds and have custody of all funds of the Agency from whatever source.

14.2.2. The Auditor of the Managing Agency, designated by a majority of a quorum of the Governing Board, may serve as the Auditor-Controller of the Agency. The Auditor-Controller shall draw warrants or check-warrants against the funds of the Agency in the Treasury when the demands are approved by the Governing Board of Directors or such other persons as may be specifically designated for the purpose in the Bylaws.

14.2.3. The Managing Director shall be an employee of the Managing Agency and serve at the pleasure of the Governing Board. The Governing Board shall appoint such a Managing Director by a majority vote of a quorum of the Governing Board. The Agency shall obtain an official bond in an amount determined by the Governing Board guaranteeing faithful performance of the Managing Director's duties. Pursuant to the LOSSAN Agency Bylaws, and pursuant to the terms, conditions and requirements of the contract with the Managing Agency, the Managing Director will have the authority to hire and fire employees consistent with the Managing Agency personnel policies, recommend personnel classifications, oversee the assignments and other personal actions for the Managing Agency employees designated to support the LOSSAN Corridor Rail Service. The Managing Director will also recommend to the Governing Board the Managing Agency contractors to the LOSSAN Corridor Rail Service and will direct their activities.

14.2.4. The Auditor-Controller and the Treasurer shall comply with all duties imposed under Article 1, Chapter 5, Division 7, Title I, of the California Government Code commencing with Section 6500.

14.2.5. Upon providing reasonable notice, any agency shall have the right to review any records maintained by the Managing Agency or the Managing Agency's Auditor-Controller and/or Treasurer relating to the performance of their duties pursuant to this Agreement.

15.0 FUNDING FOR THE AGENCY

In addition to any funds derived from grants provided for in Section 4.10 of this Agreement, the voting member agencies shall consider, through their agency's budgetary process, contribution of funds necessary to carry out the purposes and powers of the Agency, consistent with the Agency's adopted budget and any cost sharing formula adopted by the voting member agencies.

16.0 QUORUM

At least five of the voting member agencies of the Governing Board, including at least one voting member from each of the LOSSAN Regions shall constitute a quorum for the transaction of business and all official acts of the Agency.

17.0 VOTING

17.1 A supermajority vote requires eight (8) affirmative votes of the voting membership of the Governing Board, which includes at least one vote of the voting membership from each of the LOSSAN Regions.

17.2 Topics that require a supermajority vote (eight (8) affirmative votes of the voting membership of the Governing Board which includes at least one vote from each of the LOSSAN Regions), include:

17.2.1. Recommending changes to the LOSSAN Agency legislation;

17.2.2. Recommending amendments to the Joint Powers Agreement regarding membership of the LOSSAN Agency Governing Board;

17.2.3. Recommending amendments to the Joint Powers Agreement regarding voting structure of the LOSSAN Agency Governing Board;

17.2.4. Approval and changes to the LOSSAN Agency Bylaws;

17.2.5. Reduction of LOSSAN Corridor Rail service; and

17.2.6. Establishment of or changes to cost sharing formulas.

17.3 All other topics require a majority vote of a quorum of the Governing Board at any regular, adjourned or special meeting where a quorum has been constituted for the transaction of business.

18.0 RALPH M. BROWN ACT

All meetings of the Agency shall be called, noticed, held, and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the California Government Code).

19.0 FILING WITH SECRETARY OF STATE

As required by Section 6503.5 of the California Government Code, an appropriate notice of this Agreement shall be filed with the Secretary of State within thirty days of its effective date.

20.0 BYLAWS

The Governing Board may adopt and amend from time to time Bylaws as may be required for the conduct of its meetings and the orderly operation of the Agency.

21.0 COMMITTEES

The Governing Board shall create the following committees:

21.1 The Governing Board shall form a Technical Advisory Committee (TAC) to review on behalf of the Governing Board technical issues associated with the improvements in passenger rail service and related facilities in the LOSSAN Corridor, including stations and rights-of-way, the coordination of public mass transit services and facilities, the coordination of passenger and freight services in the Corridor and other technical matters. The membership of the Committee is authorized in the Bylaws.

21.2 The Governing Board shall form an Executive Committee. There shall be a maximum of four (4) voting members including the Chair, Vice-Chair and Past Chair if available or one person appointed by the Governing Board with the Managing Director serving as a non-voting member. Among these members, there shall be at least one member from the LOSSAN North Region. The Executive Committee will meet as needed.

21.3 The Governing Board shall form other committees as are necessary.

22.0 COOPERATION WITH OTHER AGENCIES

22.1 In order to conserve fiscal resources, the Governing Board shall take actions to ensure that the technical expertise, results of previous analysis related to passenger rail service in the LOSSAN Corridor, information bases, and other data available from member and other relevant agencies shall, to the extent feasible, be fully utilized.

22.2 In order to ensure that improvements to intercity rail passenger services and facilities are consistent with the California State Rail Plan, the Agency shall submit an annual plan or program for expenditures in the Corridor prior to the beginning of each fiscal year to the California Department of Transportation. In order to coordinate improvements with the LOSSAN Corridor's Regional Transportation Planning Agencies (RTPAs), this annual plan or program for expenditures shall be submitted to the Southern California Association of Governments, San Diego Association of Governments, Santa Barbara County Association of Governments and San Luis Obispo Council of Governments. Each RTPA shall determine whether or not the annual plan or program is consistent with the Regional Transportation Plan for its area of jurisdiction. The Agency shall submit an annual plan or program for expenditures in the Corridor to Amtrak, for its review when developing its Strategic Guidance and Three-Year Financial Plan.

23.0 WITHDRAWAL BY MEMBER OR ASSOCIATE AGENCY

23.1 Notwithstanding any other provision of this Agreement, any Member Agency or Associate Agency may withdraw from the Agency by giving ninety (90) days advance written notice to the Governing Board. Any withdrawal from the Authority will also constitute withdrawal from the Governing Board.

23.2 The rights and obligations of any agency so withdrawing from the Agency and the Governing Board shall be determined by negotiation between the Governing Board and the withdrawing member agency. In the event that the Governing Board and the withdrawing Member Agency or Associate Agency cannot agree upon the rights and obligations of the withdrawing Member Agency, such rights and obligations shall be determined by arbitration pursuant to Section 28.0, below.

24.0 DURATION OF AGREEMENT AND TERMINATION

This Agreement shall continue in full force and effect until such time as the Member or Associate Agencies and the Governing Board determine that it is in the public interest to dissolve the Agency. Notwithstanding the foregoing, any of the Member or Associate Agencies may exercise its prerogative to terminate its membership in the Agency as set forth in Section 23.0, above. Upon termination of this Agreement by mutual consent of all the Member and Associate Agencies, all assets, liabilities and equity of the Governing Board shall be distributed in accordance with the provisions of the Interagency Transfer Agreement and any other agreements authorized by the Governing Board governing such distribution, and any remaining money or assets in possession of the Agency after the payment of all liabilities, costs, expenses, and charges validly incurred under this Agreement shall be returned to the Member or Associate Agencies in proportion to their contributions, if any, determined as of the time of termination.

25.0 NOTICE

Addresses of the parties to the Agreement for the purpose of formal communications among the signatories:

Los Angeles County Metropolitan Transportation Authority
1 Gateway Plaza
Los Angeles, CA 90012-2952
(213) 922-3041

Orange County Transportation Authority
550 S. Main St.
P.O. Box 14184
Orange, CA 92863-1584
(714) 560-6282

Riverside County Transportation Commission
4080 Lemon Street, 3rd Floor
P.O. Box 12008
Riverside CA 92502-2208
(951) 787-7141

North County Transit District
810 Mission Avenue
Oceanside, CA 92054
(760) 967-2828

San Diego Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101
(619) 231-1466

California Department of Transportation
P.O. Box 942874
Sacramento, CA 94274-0001
(916) 323-0742

Southern California Association of Governments
818 W 7th Street, 12 Floor
Los Angeles, CA 90017-3435
(213) 236-1800

San Diego Association of Governments
401 B Street, Suite 800
San Diego, CA 92101
(619) 595-5300

Ventura County Transportation Commission
950 County Square Avenue, Suite 207
Ventura CA 93003
(805) 642-1591

Santa Barbara County Association of Governments
260 North San Antonio Road, Suite B
Santa Barbara CA 93110
(805) 961-8900

San Luis Obispo Council of Governments
1114 Marsh Street
San Luis Obispo, CA 93401
(805) 781-4219

National Railroad Passenger Corporation (Amtrak)
510 Water Street, 5th Floor
Oakland CA 94607
(510) 238-4300

California High-Speed Rail Authority
770 L Street, Suite 800
Sacramento CA 95814
(916) 324-1541

26.0 AUDIT

The Agency shall provide for the accountability of all funds and shall provide for an annual audit pursuant to Section 6506 of the Government Code.

27.0 AMENDMENTS TO THE AGREEMENT

This Agreement may be amended at any time by approval of the boards of all voting Member Agencies.

28.0 ARBITRATION

28.1 In the event of a dispute between the Agency, the Managing Agency, Member Agency or any other agency, which cannot be satisfactorily resolved by those parties, said dispute shall be submitted to arbitration by a panel of three arbitrators who shall conduct the arbitration pursuant to the rules of the American Arbitration Association. The panel of arbitrators shall consist of one arbitrator appointed by each of the disputants, the third arbitrator to be appointed by mutual consent of the other two arbitrators. The arbitration panel shall resolve the dispute in accordance with the terms of this Agreement, and such resolution shall be final and binding upon the parties. Each party shall bear its own costs of arbitration, including reasonable attorney's fees. The cost of the third arbitrator shall be divided equally between the disputants.

28.2 Unless otherwise agreed by the disputants, only disputes regarding a disputant's rights and obligations arising under the terms of: (i) this Agreement, or (ii) any other agreement between the disputants in which this arbitration provision is incorporated by reference shall be subject to arbitration pursuant to Section 30.1, above.

29.0 CONFLICT OF INTEREST CODE

The Agency by resolution shall adopt a conflict of interest code as required by law.

30.0 SUCCESSOR STATUTES

All statutes cited herein shall be deemed to include amendments and/or successor statutes to the cited statutes as they presently exist.

31.0 AGREEMENT, COMPLETE

This Agreement constitutes the full and complete Agreement of the parties. This Agreement shall supersede the Joint Powers Agreement to establish the Los Angeles – San Diego Rail Corridor Agency dated February 6, 1989 and subsequent amendments adopted prior to the dates indicated below.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by authorized officials on the dates indicated below.

32.0 COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

[AGENCY NAME HERE]

____
Chair

____
Date

I HEREBY CERTIFY that the attached is a true and correct copy of the original document approved by the Board of Directors:

____
Clerk of the Board

____
Date

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. C5

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

January 10, 2013

SUBJECT:

2013 STATE AND FEDERAL LEGISLATIVE PROGRAMS (SHARON COONEY)

RECOMMENDATION:

That the Executive Committee forward a recommendation to the Board of Directors to approve staff recommendations for 2013 federal and state legislative programs (see Attachments A and B).

Budget Impact

None.

DISCUSSION:

Federal Year in Review

Surface Transportation Act

On July 5, the President signed into law a two-year surface transportation authorization bill entitled, "Moving Ahead for Progress in the 21st Century (MAP-21)." MAP-21 includes a limited increase for Federal Transit Programs providing a total of $10.578 billion in authorized funding in FY 2013 and $10.695 billion in FY 2014. Under MAP-21, Urbanized Area Grants (Sec. 5307, 5336) continue to be the largest public transportation programs. The Job Access and Reverse Commute (JARC) program activities will now be funded under the Sec. 5307 formula program at the discretion of the designated recipient. The bill authorizes $422 million in FY 2013 and $427.8 million in FY 2014 for a bus and bus facilities formula program. The funding level is significantly below previous funding for the program ($984 million in FY 2012), but the new program is a formula grant program as opposed to the discretionary grant program under the previous authorization act.

The Elderly and Disabled (Sec. 5310) and New Freedom (Sec. 5317) Programs are combined into a single program that will fund activities designed to enhance the mobility of seniors and individuals with disabilities (the new program remains under Sec. 5310). The consolidated program will increase the level of resources available for elderly and disabled transportation programs. MAP-21 also authorizes increased funding for Rural Area Grants (Sec. 5311) to fund public transportation activities in rural areas and repeals the Clean Fuels Formula and Transit in the Parks Program.

One significant change under MAP-21 is the replacement of the Fixed Guideway Modernization program with a new formula State of Good Repair Program. The new program would distribute $2.1 billion in each of fiscal years 2013 and 2014 to fixed-guideway systems that use and occupy a separate right-of-way for exclusive public transportation use, rail systems, fixed-catenary systems, passenger ferries, and bus rapid transit systems. Funding could be used for a variety of activities, and recipients would be required to develop asset management systems that include capital asset inventories and condition assessments, decision-support tools, and investment priorities.

MAP-21 authorizes $1.907 billion for each of fiscal years 2013 and 2014 for Fixed Guideway Capital Investment Grants short of the $1.955 billion authorized in FY 2012. MAP-21 includes provisions designed to reform and streamline the project approval process and eliminate duplicative steps in project development and providing for quicker review by the Federal Transit Administration (FTA). The Fixed Guideway Capital Investment Grants eligibility is expanded to include both New Starts and projects on existing infrastructure that increase capacity along the corridor by at least 10 percent.

Congressional leadership expressed a strong interest in having a federal safety provision and oversight capability included in the legislation. MAP-21 grants authority to the Secretary to create a national safety plan for all modes of public transportation, to set minimum safety performance standards for all rolling stock not otherwise regulated, and to establish a national safety certification training program for Federal and State employees, or other designated personnel, who conduct safety audits and examinations of public transportation systems and employees of public transportation agencies directly responsible for safety oversight. Under this provision, all recipients of federal transit funding are required to establish, and have certified, a comprehensive safety plan based on set criteria. Those states with rail fixed-guideway systems are required to have an approved state safety oversight program that establishes a state safety oversight agency that assumes oversight-related responsibilities. MAP-21 safety-oversight requirements mirror State of California requirements and practices and, therefore, should have few (if any impacts) on MTS's operations.

MAP-21 mandates that the governing structure of all Metropolitan Planning Organizations (e.g., SANDAG) must include officials of public agencies that administer or operate major modes of transportation in the metropolitan area. The FTA has clarified that this means that transit agencies must have a voting presence on the planning agency Board of Directors. It is unclear as to how this will impact MTS's participation at SANDAG.

Fiscal Year 2013 Appropriations

Congress could not agree on Fiscal Year 2013 appropriations bills and therefore enacted a six-month Continuing Resolution (CR) in September. The legislation (H. J. Res 117) continues funding at the fiscal year 2012 rate of operations for federal agencies, programs, and services. To meet the bipartisan agreement between the House, Senate, and White House that ensured a total rate of operations at $1.047 trillion, a government-wide, across-the-board increase of 0.6 percent over the base rate was also included. In total, including all discretionary spending, the annual rate of the CR is $26.6 billion below last year's level. Transit funding for the first 6 months of FY 2013 is below that authorized by MAP-21, and Congress could act to increase levels for the second half of the year to match MAP-21.

H.R. 8, The American Taxpayer Relief Act of 2012, the so-called "fiscal cliff" bill, includes some important transit provisions. The bill includes a one-year increase in the pretax transit benefit to $240 per month. It also extended the alternative fuel tax credit through December 2013, which provides MTS with a 50-cent credit for every therm of Compressed Natural Gas (CNG) used. Finally, it continued a tax credit for partially reimbursing the cost of new CNG fueling facilities, which may help offset the cost of the East County CNG fueling station.

Federal Audits

In 2012, MTS was the subject of two significant audits by the Federal Transit Administration—the overall Triennial Review and the Title VI Triennial Compliance Review. These two reviews are mandatory for all designated recipients of federal transit funding. The results of these audits were positive since MTS received no adverse findings.

State of Good Repair Grant Awards

With the moratorium on Congressional earmarks, the FTA has been using competitive grant programs to dispense the discretionary funding at its disposal. This past year the grant program was categorized as "State of Good Repair," and funding for projects was prioritized based on the applicant's ability to demonstrate significant need for bringing facilities or vehicles into a state of good repair. MTS submitted three applications in 2012, and received awards for the East County Bus Maintenance Facility (ECBMF) ($10 million) and a Transit Asset Management System (TAM) ($3 million). The ECBMF was a priority project in the 2012 Legislative Program and, as a result of this successful grant application, is fully funded. Under MAP-21, transit systems are required to have a transit asset-management system. Therefore, the $3 million grant award for TAM will offset the cost of this mandate for the agency.

Title VI and Environmental Justice Updates

The FTA issued two significant circulars in 2012, "Title VI Requirements and Guidelines" and "Environmental Justice Policy Guidance." These circulars include new provisions and requirements for all designated recipients of FTA funding. MTS staff is working on new policies and procedures required for compliance with these circulars and will return to the Board for its approval this year.

State Year in Review

State Funding

Despite projected deficits, the State fully funded its obligations under the State Transit Assistance program. The result was $22 million of revenue for FY 2013. In addition, the State appropriated funding to meet Proposition 1B obligations that resulted in MTS's receipt of $85 million toward the purchase of light rail vehicles and $5.6 million for security-related capital improvement projects in 2012. MTS also advocated successfully to gain $57 million in Proposition 1A funding for the Trolley Renewal Project.

Bus Axle Weights

California state law limits single bus-axle weights to 20,500 pounds on roads other than interstate highways. California state law in regards to bus axle weight limits was set in 1975. Since the 1970s, the weight of transit buses has increased by several thousand pounds—primarily due to implementation of government regulations—which add weight to the bus, such as the extra equipment needed to meet the Americans with Disabilities Act (ADA) accessibility requirements and the use of alternative fuels like CNG. Therefore, most California transit buses exceed the state limit when carrying passengers.

The California Transit Association in conjunction with MTS sought a legislative remedy that would better reflect the weight of buses today. Assembly Bill 1706 provided an exemption from the state's axle weight limit for all existing transit fleets and all bus procurements completed before the end of 2012. MTS will continue to work with stakeholders to refine the state regulations.

LOSSAN (Los Angeles-San Diego-San Luis Obispo) Agency

LOSSAN is a Joint Powers Authority (JPA) comprised of rail owners, operators, and regional transportation agencies from San Diego to Los Angeles and San Luis Obispo. As a member of LOSSAN, MTS assisted in crafting legislation to permit the agency to exert greater control over Amtrak's Pacific Surfliner service. Senate Bill 1225 (SB 1225) authorized the LOSSAN Agency to reconstitute itself to manage the state-supported Pacific Surfliner service, which provides 11 daily round-trips on the corridor. MTS worked to ensure that the language in SB 1225 would be permissive and that MTS would retain the ability to exit the JPA at will.

Taxicab Surveillance Cameras

Although not included in the 2012 legislative program, at the request of the taxicab industry in San Diego, MTS staff closely monitored efforts to change the Vehicle Code to permit the use of continuous video recorders inside of taxicabs. Senate Bill 1534 was extensively debated in Committee but ultimately failed to gain approval. Staff has added taxicab video recorders to its recommended State Legislative Program.

Calendar Year 2013 Legislative Program

The draft state and federal legislative programs (Attachments A and B) are attached for review. The federal legislative program includes recommended capital project appropriation requests. Upon approval by the MTS Board, these programs will be used to define MTS legislative advocacy efforts in calendar year 2013.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, sharon.cooney@sdmts.com

Attachments: A. Draft Federal Legislative Program
B. Draft State Legislative Program

San Diego Metropolitan Transit System (MTS)
2013 Federal Legislative Program

I. Transit Funding

- Oppose legislation that would reduce direct funding to transit agencies or transportation funding in general.
- Seek a permanent compressed natural gas tax credit program for transit operators.
- Support legislation that would help offset the impact on transit budgets caused by increases in fuel costs.
- Support legislation that would generate new revenue for transit projects and operating costs.
- Support legislation to bring funding to railroad corridors.
- Seek funding for railroad bridge and infrastructure rehabilitation.
- Seek funding to offset the costs associated with implementation of hybrid and alternative technologies in the transit fleet.
- In partnership with interested cities, seek funding dedicated to grade-separation projects.
- Seek programs in the defense appropriation process that would help offset the cost to provide transit services for military facilities.
- Oppose attempts to discontinue federal funding for school paratransit services or for nonemergency medical transport.
- Oppose actions by the General Services Administration that might adversely impact transit functions at the San Ysidro Border and seek funding to mitigate any changes to transit facilities currently used or owned by MTS.

II. Public Safety

1. Oppose attempts to create duplicative state rail safety regulatory agencies.
2. Seek stiffer federal criminal penalties for vandalism or theft of transit property.
3. Support legislation that increases funding for transit security projects and personnel.
4. Support legislation that provides reimbursement to transit operators for lost employee work hours due to emergency preparedness and antiterrorism training.
5. Oppose legislation or regulations that would have an adverse impact on transit agencies' ability to provide safe transportation to their customers.
6. Support legislation that assists transit operators to carry out their responsibilities as first responders to emergency situations.
7. Support efforts to enhance the transit agency's ability to coordinate with other local emergency personnel for disaster response and evacuation preparedness.

III. Regulatory Matters

1. Support legislation that would facilitate the delivery of capital projects.
2. Oppose unfunded mandates that impact transit operators.
3. Support efforts to increase competition in the fuel market.
4. Support legislation that would require manufacturers of wheelchairs and scooters to notify customers prior to purchase of any vehicles that are larger than what the Americans with Disabilities Act requires transit agencies to accommodate for boarding.
5. Oppose proposals that limit the use of eminent domain for public transportation projects.
6. Monitor and respond to legislation in the areas of finance, employment, and safety that could affect agency governance or operations, including issues related to contractors.
7. Support efforts to ensure that climate change legislation recognizes that transit investment can help achieve emission reduction goals, and seek inclusion of transit funding in any climate change legislation.

8. Oppose efforts to enlarge the universe of paratransit service eligibility to classifications of individuals that could effectively be served through fixed-route services.
9. Monitor and respond to attempts to alter access guidelines in a way that would financially burden transit operators without providing funding.
10. Oppose regulatory interpretations of Title VI that are not in keeping with the policy's intent or which cause actions by transit agencies that constitute unfunded mandates.
11. Seek a national standard for weight limit exemptions for transit buses that is consistent with the weight of buses on the market today and that takes into account the weight of equipment required to address federal mandates.

IV. Support for Legislative Programs of Other Agencies or Organizations

1. Support the legislative programs of other agencies, such as SANDAG, NCTD or other jurisdictions, where consistent with the MTS legislative program.
2. Support provisions in the legislative programs of organizations, such as the California Transit Association and American Public Transportation Association, where consistent with the MTS legislative program.

V. Capital Projects

1. Seek funding for the following capital projects:

   - Mid Coast Trolley Extension
   - MTS Bus Replacement Vehicles
   - East County Bus Maintenance
   - Blue Line Station Improvements
   - Regional Transportation Management System

San Diego Metropolitan Transit System (MTS)
2013 State Legislative Program

I. Transit Funding

1. Seek legislation to expedite the allocation of state infrastructure bond funding designated for transit operators/projects.
2. Oppose legislation that would reduce direct funding to transit agencies, or transportation funding in general; support legislation that would generate new revenue for transit projects and operating costs.
3. Oppose legislation that would expand the use of Transportation Development Act (TDA) funds to non-transit purposes not currently covered by statute.
4. Support legislation that would help offset the impact on transit budgets caused by increases in fuel costs.
5. In partnership with interested cities, seek funding dedicated to grade-separation projects.
6. Seek legislation to exempt transit agencies from state sales tax.

II. Transit-Oriented Development

1. Seek legislation to expedite the allocation of state infrastructure bond funding for transit-oriented development and support legislation that provides funding incentives for mixed-use projects and transit-oriented development.
2. Support legislation that aids transit operators' efforts to create transit-oriented development.

III. Public Safety

1. Seek actions that would expedite the allocation of the $1 billion in Proposition 1B bond funding designated for transit security projects.
2. Oppose legislation or regulations that would have an adverse impact on transit agencies' ability to provide safe transportation to their customers.
3. Support efforts to enhance penalties for crimes against transit staff or related to transit property.
4. Seek legislation that would protect the records of transit code compliance officers to the same degree as sworn officers.
5. Seek legislation that would permit transit agencies to adjudicate code violations.
6. Seek legislation that would allow agencies to pass an ordinance to allow national criminal background checks for taxicab operators.
7. Seek legislation that would remove Vehicle Code restrictions on the placement of video and audio recorders inside taxicabs.

IV. Climate Change

1. Advocate for favorable implementation of AB 32.
2. Oppose efforts to require actions by the transit operators in support of state climate change initiatives that constitute unfunded mandates.

V. Regulatory Matters

1. Support legislation that would facilitate the delivery of transit capital projects—especially through the availability of alternative procurement practices, such as design build.
2. Oppose unfunded mandates that impact transit operators.
3. Support legislation that would require manufacturers of wheelchairs and scooters to notify customers prior to purchase of any vehicles that are larger than what the Americans with Disabilities Act requires transit agencies to accommodate for boarding.
4. Oppose legislation that adversely limits the use of eminent domain for public transportation projects.
5. Support legislation that would remedy Bonanno v. Central Contra Costa Transit Authority, which is a case that substantially broadened the liability exposure of transit agencies.
6. Seek relief from regulations which prevent MTS from providing service in the most cost efficient way possible.
7. Monitor and respond to efforts to regulate MTS operations.
8. Seek clarification of regulations governing the disposition of real property purchased with TDA funds to prevent using the property for nontransit purposes.
9. Oppose efforts to eliminate or restrict transit exemption provisions in the California Environmental Quality Act (CEQA); seek legislative clarification that service and fare adjustments are always exempt from CEQA.
10. Seek a long term exemption from weight restrictions for all transit buses.

VI. Labor Relations

1. Monitor and respond to legislation relating to personnel matters.
2. Support legislation that protects the integrity of collective bargaining agreements, and oppose efforts to mandate benefits or working conditions.
3. Monitor and respond to legislation designed to clarify provisions of the Public Employees Pension Reform Act of 2012.

VII. Support Legislative Programs of Other Agencies or Organizations

1. Support the legislative programs of other agencies, such as SANDAG and NCTD, where consistent with the MTS legislative program.
2. Support provisions in the legislative programs of organizations, such as the California Transit Association and American Public Transportation Association, where consistent with the MTS legislative program.

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. C6

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

January 10, 2013

SUBJECT:

APPOINTMENT OF SAN DIEGO ASSOCIATION OF GOVERNMENTS TRANSPORTATION COMMITTEE REPRESENTATIVE AND ALTERNATE (SHARON COONEY)

RECOMMENDATION:

That the Executive Committee take nominations from the floor and elect and appoint a representative and an alternate from the MTS Board to serve on the San Diego Association of Governments (SANDAG) Transportation Committee for the 2013 calendar year.

Budget Impact

None.

DISCUSSION:

MTS Board Policy No. 22 specifies:

On or before its first meeting in January, the Executive Committee shall appoint one of its members to serve as the representative and one of its members to serve as the alternate to the San Diego Association of Governments (SANDAG) Transportation Committee to serve for a term of one year. In the event that the Executive Committee feels a member of the Board who does not serve on the Executive Committee is their preferred representative or alternate for the SANDAG Transportation Committee, the Executive Committee shall have the ability to select the representative or alternate from the full Board. In that instance, the

SANDAG Transportation Committee representative, or the alternate in his or her absence, shall attend the Executive Committee meetings as a voting member.

The most recent SANDAG Transportation Committee representative was Chairman Harry Mathis, and the alternate was Board Member Al Ovrom.

The nomination and election procedures pursuant to Robert's Rules of Order are as follows:

1. The Chairman of the Executive Committee opens the agenda item.

2. The Chairman requests nominations from the floor. Nominations do not require a second.

3. The Chairman closes the nominations.

4. The Chairman asks for any Executive Committee discussion.

5. The Chairman calls for the vote on each candidate in the order in which they were received. The vote continues until a candidate is elected.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, sharon.cooney@sdmts.com

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item C7

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

January 10, 2013

SUBJECT:

TAXICAB ADMINISTRATION CONTRACT RENEWAL (SHARON COONEY)

RECOMMENDATION:

That the Executive Committee forward a recommendation to the Board of Directors to approve the draft "Eighth Amendment to Agreement for Administration of Taxicab and Other For-Hire Vehicle Regulations Between San Diego Metropolitan Transit System and City Of San Diego" (in substantially the same format in Attachment A) and authorize the Chief Executive Officer to negotiate the final contract.

Budget Impact

None with this action.

DISCUSSION:

City Taxicab Administration

Prior to MTS agreeing to regulate private for-hire vehicle permits, the City of San Diego Financial Management Department performed the following:

- Processed new and transfer permit applications
- Referred background investigations of owners to the police department
- Approved fares, company names, and colors for taxis and jitneys
- Provided public information to those seeking permits
- Prepared quarterly reports regarding fare regulation (setting) for taxis
- Monitored and evaluated insurance
- Monitored administrative violations (ensured vehicle replacement forms were submitted when new vehicles were purchased, ensured required annual

statements were filed by owners in person, ensured notices were filed with transfer of ownership, ensured vehicles were not out of service longer than permitted, etc.) and conducted analyses, including negotiations of penalties for administrative violations

- Presented policy issues to the City Council
- Communicated with the industry
- Developed the budget, which included establishing permit fee and fine levels

The City of San Diego Police Department (SDPD) monitored complaints and insurance policies and was responsible for all aspects of code enforcement. The SDPD performed vehicle inspections that included general safety and appearance checks only. Costs for enforcement activities were absorbed in the City of San Diego's budget.

In 1988, the City of San Diego administered a permit program for approximately 895 taxis and 95 jitneys. The permit program with an estimated annual operating cost of $358,000 had a cost recovery between 35 to 44 percent and was administered by eight positions.

Each of the other cities in the MTS jurisdiction performed similar duties with varying costs and resources prior to contracting with MTS to administer taxicab regulation.

<u>MTS Assumption of Taxicab Administration</u>

The City of San Diego contracted with MTS to perform taxicab administration in 1988. The decision to contract out this responsibility was based on concerns with internal regulation. There was a perceived need for more rigorous vehicle safety enforcement and inspections, more reasonable code enforcement, regular communication between industry representatives and regulatory staff, and better enforcement of permit holder accountability for the equipment and services operated under the permit. Another benefit of MTS assumption of the duties would be taxicab regulation based on transportation patterns rather than municipal boundaries.

During contract negotiations, both parties agreed that the City of San Diego would remain as the policy-setting entity. The City of San Diego Council Policy 500-02 sets policy for taxicab permit regulation. During contract negotiations, there was some discussion regarding whether MTS would regulate drivers, but it was determined that MTS's responsibility would be limited to permit regulation only. MTS Ordinance No. 11 is the basis of MTS's regulatory authority.

When MTS assumed regulatory responsibility of private for-hire vehicles from the City of San Diego, seven full-time staff members were needed. The permit fees in place at that time did not cover the full cost of taxicab administration activities. The California Public Utilities Code requires that MTS recover its costs entirely and, therefore, MTS adjusted permit fees accordingly.

MTS contracted with the cities of El Cajon, Imperial Beach, Lemon Grove, and Santee in 1990, the City of Poway in 1991, and the City of La Mesa in 1999. The contracts were based on the contract with the City of San Diego and in accordance with Ordinance No. 11. Attachment C provides samples of the contracts.

Taxicab Administration Activities

The Taxicab Administration Department reports to the MTS Chief of Staff and consists of 10 full-time staff members. Operations are carried out at an inspection facility and administrative offices owned by MTS. The fiscal year 2013 budget is $941,589, and the reserve balance is $401,025.

Taxicab Administration regulates a total of 1,258 for-hire vehicle permits:

992	City of San Diego Taxicab Permits (79% of permits)
59	Suburban Taxicabs Permits (El Cajon, Imperial Beach, La Mesa, Lemon Grove, Poway, and Santee) (4.7% of permits)
193	Nonemergency Medical Vehicle Permits (15.3% of permits)
10	Jitney Vehicle Permits
4	Charter Vehicle Permits

As of this writing, vehicles regulated by MTS are operated by 490 permit holders. A schedule of fees is approved by the Chief Executive Officer to achieve full-cost recovery.

Vehicle inspections are a critical component of regulation of permit holders. As referenced in the *Vehicle Inspection Notice*, there are 8 types of vehicle inspections with the potential of 56 individual items/functions inspected. Currently, staff is in the process of conducting the 20th round of scheduled inspections since late 1990. In the round of inspections completed most recently, staff conducted 1,296 scheduled vehicle inspections; 247 replacement vehicle inspections; 68 permit-issuance vehicle inspections; and an estimated 559 reinspections for a total of 2,170 inspections. These totals do not include inspections for the airport, rates of fare, or field-report referrals, which add several hundred inspections to the total.

Field enforcement is also essential for guaranteeing compliance with Ordinance No. 11 regulations. Activities in this area include vehicle compliance inspections in the field; driver compliance with regulations; "Secret Shopper" details; identification of illegal operators; monitoring taxicab stand standards; addressing complaints; conducting police line-ups; attending hearings at MTS and other agencies; conducting community outreach; and planning, setting up, and staffing of taxicab stands for large events. Taxicab code enforcement officers frequently work with public safety officers from other agencies and with MTS Security.

Administering permits and ensuring compliance with the requirements of Ordinance No. 11 for all permit holders is another function of Taxicab Administration. Some of the activities include processing permit applications; determining eligibility to transfer San Diego taxicab medallions; monitoring insurance compliance; handling operational requests (radio service changes, company name) and collection of fees; data collection (all permit and permit holder information, insurance, vehicle, and operational changes); annual statement submission/review; processing corporate/LLC officer/member and shareholder changes; monitoring permit holder compliance; addressing compliance and permit holder inquiries; reviewing radio service compliance; and reviewing equipment and vehicle markings and specifications.

Taxicab Administration engages in a number of activities to maintain the health of the industry in the region. Periodic reviews of rates of fare are completed, and MTS sets fares to provide a balance between the public demand for reasonable fares and the need to provide drivers and permit holders with a return for their efforts. MTS is currently in the process of procuring a consultant to perform a comprehensive fare analysis as a first step toward the next fare adjustment. In 2009, Taxicab Administration conducted a passenger survey to better understand customer demographics, trip purpose, and overall satisfaction. A permit issuance study on behalf of the City of San Diego was conducted in 2011 to determine whether more permits should be issued. That study concluded that additional permit issuance is unwarranted at this time. Finally, MTS has sought to require event recorders inside of vehicles as a way to promote driver safety.

As part of its efforts to maintain an open communication with the industry, MTS maintains a Taxicab Advisory Committee. Taxicab Administration staff is responsible for conducting the Taxicab Advisory Committee meetings, as well as those of several subcommittees, such as the Workshop on Regulatory Matters Subcommittee, Finance Subcommittee, Taxicab Stand Subcommittee, and the San Diego Border Wildcat Task Force.

Taxicab Administration works with the San Diego County Sheriff's Department in its effort to ensure that drivers are properly licensed and operating in a safe manner. Since 1968, the Sheriff's Licensing Division has issued the driver's identification cards to for-hire vehicle drivers. In addition, the department handles driver-related issues, such as complaints and penalties. Currently, half of the 20 Licensing Division staff members are assigned to administer the for-hire driver's licenses.

Contract Renewal

All of the City Taxicab Administration contracts will expire in July 2013. At its December meeting, the Executive Committee gave direction to staff to return with a draft contract amendment that reflects the Executive Committee's discussion at that time. In particular, the Executive Committee requested that the amendment reflect that MTS would not become involved in the contracts between permit holders and their subcontractors and would not be required to regulate that relationship.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Eighth Amendment to Agreement for Administration of Taxicab and Other For-Hire Vehicle Regulations Between San Diego Metropolitan Transit System and City of San Diego

Att. A, AI C7, 1/10/13

MTS Doc. No. G0225.8-95
TAXI 590.10 (PC 50761)

EIGH~~SEVEN~~TH AMENDMENT TO AGREEMENT FOR ADMINISTRATION OF TAXICAB AND OTHER FOR-HIRE VEHICLE REGULATIONS BETWEEN SAN DIEGO METROPOLITAN TRANSIT SYSTEM AND CITY OF SAN DIEGO

THIS AGREEMENT is entered into by and between the City of San Diego, a municipal corporation, 202 C Street, San Diego, CA (herein called "CITY"), and the San Diego Metropolitan Transit System, a public agency, 1255 Imperial Avenue, Suite 1000, San Diego, CA (herein called "MTS"), in view of the following recitals, which are a substantive part of this Agreement:

RECITALS

A. MTS is authorized under Section 120266, Chapter 2, Division 11 of the California Public Utilities Code (PUC), to enter into contracts to regulate transportation services within a city in its area of jurisdiction;

B. CITY is within MTS's jurisdiction created January 1, 1976, under Section 120050, et seq., Chapter 2, Division 11 of the PUC;

C. CITY desires that MTS regulate taxicabs and other for-hire vehicles and services such as charter vehicles, sight-seeing vehicles, nonemergency medical vehicles, low speed vehicles (LSV), and jitney vehicles pursuant to PUC Section 120266 and in accordance with MTS Ordinance No. 11, "An Ordinance Providing for the Licensing and Regulating of Transportation Services Within the City";

D. MTS Ordinance No. 11 is based on San Diego Municipal Code, Chapter 7, Article 5, Divisions 1 through 6, "Paratransit Code", which provided for CITY regulation prior to 1988, and was repealed in 1989;

E. CITY continues to set the fundamental public policy pursuant to regulation of taxicabs and other for-hire vehicles and services through Council Policy 500-02, but any changes to Council Policy 500-02 that are in conflict with MTS Ordinance No. 11 will not be enforced by MTS without prior approval of an Ordinance No. 11 amendment by the MTS Board of Directors;

F. MTS does not desire to expand its regulatory role to include oversight of the taxicab permit holder and subcontractor (ie. lease drivers) relationships;

~~E.~~G. The City desires to retain the authority to create a City entity to regulate the business relationship between permit holders and their subcontractors (ie. lease drivers);

~~F.~~H. CITY and MTS entered into an agreement, Document No. RR-271306, for the period of July 1, 1988 through December 31, 1988; a first amendment to that agreement, Document No.

RR-272517, for the period of January 1, 1989 through December 31, 1993; a second amendment to that agreement, Document No. RR-283074, for the period of January 1, 1994 through June 30, 1994; a third amendment to that agreement, Document No. RR-284038 for the period of July 1, 1994 through June 30, 1995; a fourth amendment to that agreement, Document No. RR-285794 for the period of July 1, 1995 through June 30, 1998; a fifth amendment to that agreement, Document No. OO-18526 for the period of July 1, 1998 though June 30, 2003; a sixth amendment to that agreement, Document No. OO-19195 for the period of July 1, 2003 through June 30, 2008; a seventh amendment to that agreement, Document No.OO-19761 for the period of July 1, 2008 through June 30, 2013;

~~G.~~I. CITY and MTS now desire to enter into an agreement to extend the period from July 1, 2013~~08~~ through June 30, 2018~~3~~; and

NOW THEREFORE, in consideration of the mutual covenants and conditions contained in this Agreement, CITY and MTS agree as follows:

1. MTS will administer and enforce its taxicab and other for-hire vehicles Ordinance policies, and regulations as in effect on July 1, 2013~~08~~, and as thereafter from time to time amended by MTS, and thereby regulate such taxicab and other for-hire vehicles and transportation services rendered wholly within the CITY's corporate limits during the period of July 1, 2013~~08~~ through June 30, 2018~~3~~, pursuant to PUC Section 120266.

2. MTS will collect and administer all such regulatory fees, fines, and forfeitures as now or hereafter provided by the MTS Taxicab and Other For-Hire Vehicles Ordinance No. 11 policies, and regulations.

3. MTS will not alter a fundamental policy or regulation in accordance with the Taxicab and Other For-Hire Vehicles Ordinance No. 11 without prior approval of the CITY.

4.

MTS shall not be required to be a party to contracts between holders of taxicab permits in the CITY and their subcontractors (ie. lease drivers); nor shall MTS be required to regulate the business relationship between taxicab permit holders and their subcontractors (ie. lease drivers). MTS shall not be required to engage in the following activities: investigating and resolving contract disputes between permit holders and their subcontractors (ie. lease drivers); setting contract terms for agreements between permit holders and their subcontractors (ie. lease drivers); investigating and/or adjudicating allegations of retaliation between permit holders and their subcontractors (ie. lease drivers); regulating working hours and/or earnings for permit holders and their subcontractors (ie. lease drivers). Any attempt by the CITY or any of its officers to change these restrictions on MTS's responsibilities shall be considered an amendment to this agreement that would require the acquiescence of the MTS Board with all of the CITY members abstaining from the vote.

5. The CITY retains the authority to create a CITY entity to regulate the business relationship between permit holders and their subcontractors (ie. lease drivers) and any of those items excluded from MTS's responsibilities in paragraph 4. If this occurs, the actions of the new CITY entity shall not change the terms of this agreement, and the provisions for amending this agreement contained in paragraph 4 shall prevail.

~~4.~~6. The CITY Mayor and MTS Chief Executive Officer may supplement this agreement by executing a Memorandum of Understanding relative to administrative and operating procedures of taxicab and other for-hire vehicles regulation, and to provide for reimbursable staff and legal support services.

IN WITNESS THEREOF, this ~~seventh~~ eighth amendment to the agreement is executed by the CITY acting by and through its City Mayor pursuant to Council Ordinance No. _________, and by MTS acting through its Chief Executive Officer.

Dated this ____________ day of ________________________, 2013~~08~~.

THE CITY OF SAN DIEGO

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

____

____
Paul C. Jablonski
Chief Executive Officer

WE HEREBY APPROVE the form of the foregoing Agreement.

____
City Attorney

Date: ______________________________

____
Office of the General Counsel

Date: ______________________________

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

DRAFT

Agenda

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

January 17, 2013

9:00 a.m.

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least two working days prior to the meeting to ensure availability. Assistive Listening Devices (ALDs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

		ACTION RECOMMENDED
1.	Roll Call	
2.	Approval of Minutes - December 13, 2012	Approve
3.	Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board.	
4.	Appointments to Committees (Sharon Cooney) Action would consider the nominating slate proposed by the Ad Hoc Nominating Committee for the appointment of representatives to MTS committees for 2013 and vote to appoint representatives to those committees.	Appoint

Please SILENCE electronics
during the meeting

CONSENT ITEMS

6.	Internal Revenue Service-Required CalPERS Pension Resolution Action would adopt Resolution No. 13-1 to allow MTS employees to make pension contributions on a pretax basis.	Adopt
7.	Light Rail Vehicle Vandalism and Accident Repair - Ratification and Amendment Action would authorize the CEO to execute MTS Doc. No. L0884.2-09 with Carlos Guzman, Inc. to increase the amount of the contract due to a higher-than-expected rate of body repair and paint work services and clarify the scope of work.	Approve
8.	Semiannual Uniform Report of Disadvantaged Business Enterprise Awards or Commitments and Payments Action would receive the Semiannual Uniform Report of Disadvantaged Business Enterprise (DBE) Awards or Commitments and Payments.	Receive
9.	2013 State and Federal Legislative Programs Action would approve staff recommendations for 2013 state and federal legislative programs.	Approve
10.	Audit Report - Carlos Guzman Contract Review (MTS Doc. No. L0844.0-09) Action would receive a report for information.	Receive

CLOSED SESSION

24.	a. CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code section 54957.6 Agency-Designated Representative - Jeff Stumbo Employee Organization - International Brotherhood of Electrical Workers, Local 465 (IBEW)	Possible Action
	b. CLOSED SESSION - PUBLIC EMPLOYEE PERFORMANCE EVALUATION CHIEF EXECUTIVE OFFICER Pursuant to California Government Code Section 54957	Possible Action
	Oral Report of Final Actions Taken in Closed Session	

NOTICED PUBLIC HEARINGS

25. None

DISCUSSION ITEMS

30.	San Diego Transit Corporation Employee Retirement Plan's Actuarial Valuation as of July 1, 2012 (Cliff Telfer) Action would receive the San Diego Transit Corporation (SDTC) Employee Retirement Plan's actuarial valuation as of July 1, 2012, and adopt the pension contribution rate of 36.106 percent for SDTC's pension plans in FY 14.	Adopt
31.	Taxicab Administration Contract Renewal (Sharon Cooney) Action would approve the draft "Eighth Amendment to Agreement for Administration of Taxicab and Other For-Hire Vehicle Regulations Between San Diego Metropolitan Transit System and City of San Diego" and authorize the Chief Executive Officer to negotiate the final contract.	Approve
32.	PSRM Operating Agreement Extension and Revision (Karen Landers) Action would approve an operating agreement extension and revision with the Pacific Southwest Railroad Museum (PSRM).	Approve
33.	LOSSAN Joint Powers Authority and Managing Agency (Brent Boyd and Sharon Cooney) Action would: (1) approve by MTS Resolution No. 13-2 the amended Joint Powers Authority for the LOSSAN Rail Corridor Agency; and (2) direct staff to submit a proposal to become the LOSSAN Managing Agency.	Approve

REPORT ITEMS

45.	Compass Card (Sharon Cooney) Action would receive a report for information.	Receive
46.	Pacific Imperial Railroad (PIR) - Status Update (Karen Landers) Action would receive a report for information.	Receive
60.	Chairman's Report	Information
61.	Audit Oversight Committee Chairman's Report	Information
62.	Chief Executive Officer's Report	Information
63.	Board Member Communications	
64.	Additional Public Comments Not on the Agenda If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.	
65.	Next Meeting Date: February 21, 2013	
66.	Adjournment	

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 6

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

Draft for Executive Committee Review Date: 1/10/13

January 17, 2013

SUBJECT:

INTERNAL REVENUE SERVICE-REQUIRED CALPERS PENSION RESOLUTION

RECOMMENDATION:

That the Board of Directors adopt Resolution No. 13-1 (Attachment A) to allow MTS employees to make pension contributions on a pretax basis.

Budget Impact

None.

DISCUSSION:

MTS contracts with the California Public Employees' Retirement System (CalPERS) to provide pension benefits for MTS and San Diego Trolley, Inc. (SDTI) employees. The CalPERS pension system bifurcates pension contributions into employer contributions and employee contributions.

MTS wishes to allow employees to make contributions to CalPERS on a pretax basis pursuant to Internal Revenue Code Section 414 (h) (2). Employer contributions are already pretax.

The attached Resolution No. 13-1, which has been provided by CalPERS to formalize this process, would not change any existing practice or have any financial impact.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Resolution No. 13-1

Resolution to Tax Defer Member Paid Contributions – IRC 414(h)(2) Employer Pick-Up

WHEREAS, the governing body of the San Diego Metropolitan Transit System (Name of Agency) has the authority to implement the provisions of section 414(h)(2) of the Internal Revenue Code (IRC); and

WHEREAS, the San Diego Metropolitan Transit System (Name of Agency) has determined that even though the implementation of the provisions of section 414(h)(2) IRC is not required by law, the tax benefit offered by section 414(h)(2) IRC should be provided to All San Diego Metropolitan Transit System Employees (All Employees, or All Employees In A Recognized Group or Class of Employment) who are members of the California Public Employees' Retirement System:

NOW, THEREFORE, BE IT RESOLVED:

I. That the San Diego Metropolitan Transit System (Name of Agency) will implement the provisions of section 414(h)(2) Internal Revenue Code by making employee contributions pursuant to California Government Code Section 20691 to the California Public Employees' Retirement System on behalf of all its employees or all its employees in a recognized group or class of employment who are members of the California Public Employees Retirement System. "Employee contributions" shall mean those contributions to the Public Employees' Retirement System which are deducted from the salary of employees and are credited to individual employee's accounts pursuant to California Government Code section 20691.

II. That the contributions made by the San Diego Metropolitan Transit System (Name of Agency) to the California Public Employees' Retirement System, although designated as employee contributions, are being paid by the San Diego Metropolitan Transit System (Name of Agency) in lieu of contributions by the employees who are members of the California Public Employees' Retirement System.

III. That employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the San Diego Metropolitan Transit System (Name of Agency) to the California Public Employees' Retirement System.

IV. That the San Diego Metropolitan Transit System (Name of Agency) shall pay to the California Public Employees' Retirement System the contributions designated as employee contributions from the same source of funds as used in paying salary.

V. That the amount of the contributions designated as employee contributions and paid by the San Diego Metropolitan Transit System (Name of Agency) to the California Public Employees' Retirement System on behalf of an employee shall be the entire contribution required of the employee by the California Public Employees' Retirement Law (California Government Code Sections 20000, et seq.).

VI. That the contributions designated as employee contributions made by San Diego Metropolitan Transit System (Name of Agency) to the California Public Employees' Retirement System shall be treated for all purposes, other than taxation, in the same way that member contributions are treated by the California Public Employees' Retirement System.

PASSED AND ADOPTED by the governing body of the San Diego Metropolitan Transit System (Name of Agency)

this day of (Date), (Year).

BY

(Signature of Official)

(Title of Official)

RETURN ADDRESS:

FOR CALPERS USE ONLY

RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS - IRC 414(h)(2)

Approved by: ____________________

Title: ____________________

PASSED AND ADOPTED by the Board of Directors this ______ day of ___________ 2013 by the following vote:

AYES:

NAYES:

ABSENT:

ABSTAINING:

____
Chairperson
San Diego Metropolitan Transit System

Filed by:

____
Clerk of the Board
San Diego Metropolitan Transit System

Approved as to form:

____
Office of the General Counsel
San Diego Metropolitan Transit System

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 7

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

January 17, 2013

Draft for Executive Committee Review Date: 1/10/13

SUBJECT:

LIGHT RAIL VEHICLE VANDALISM AND ACCIDENT REPAIR - RATIFICATION AND AMENDMENT

RECOMMENDATION:

That the Board of Directors authorize the CEO to execute MTS Doc. No. L0884.2-09 (in substantially the same format as Attachment A) with Carlos Guzman, Inc. to increase the amount of the contract due to a higher-than-expected rate of body repair and paint work services and clarify the scope of work.

Budget Impact

MTS Doc. No. L0884.2-09 would increase the previously authorized contract limit by $1,170,000 (from the original $2,721,000 to a revised contract authority of $3,891,000.00). The FY 2013 portion of this amendment is included in the LRV operating budget and is not expected to cause a budget overrun. The FY 2014 portion would be covered in that year's operating budget.

DISCUSSION:

Among the critical elements of MTS's trolley operations is the need to keep the body of each LRV in a constant state of good repair and service-readiness. Vital to this is ensuring that the outside and inside of each LRV is free of graffiti and clear of any sign of vandalism, dents, and other damages from accidents to project the image of a well-groomed MTS LRV car.

In fiscal year 2009 the Board authorized the award of the LRV body repair services contract to Carlos Guzman, Inc. The agreement was for three base years with two (2) one-year options and used historical records to determine the contract expense authority. Since that time, vandalism on the system has evolved from the use of permanent markers to deep etching into LRV interior and exterior finishes, which has necessitated additional repair efforts. Road damage caused by debris on the right-of-way has increased significantly during this period and the discovery of underlying exterior roof rust required emergency repairs and restoration on numerous older model LRVs.

Since 2011, the integration of the 4000 series S70 has steadily grown the vehicle fleet to 20% over the number used to determine contract needs. The passenger conveniences and material finishes found in the new low-floor LRVs require increased time and capital for restoring the new high-quality finish. The steady increase in ridership and subsequent service level expansion has compounded the fleet's exposure to vandalism incidents, vehicle accidents, and door damage caused by bicycle boardings, system-wide. Maintenance of a larger fleet with more extensive damage and fighting the efforts of bolder vandals have resulted in the need for increased contract funding.

This is an amendment based on MTS's need for uninterrupted body repair and paint work services due to accident and vandalism damages. The full contract expense authority authorized in 2009 for body repair and paint work services has been exhausted even though the contract does not expire until June 30, 2014. Because of the current contractor's understanding of MTS's needs and the anticipated administrative lead time relative to a new competitive process, staff determined that the best means to maintain continuity in service is to increase the funding authority under this agreement.

The proposed amendment (i) increases the funding on the contract to meet the increased repair volume and funds the contract through the expiration date of June 30, 2014, (ii) clarifies that the scope of work for this contract includes all necessary body repair and paint work necessary to keep the LRV fleet in good condition consistent with the appearance/condition standards for the fleet; and (iii) clarifies that paint disposal costs are an acceptable expense item to be billed under the contract.

In preparation for the contract expiration on July 1, 2014, staff will launch a competitive proposals process to secure a successor agreement. Development of the formal request for proposal document will include an overhaul of the scope of work and volume estimates based on the vandalism, accident, and body repair needs experienced during this contract period.

Based on the proposal evaluations and cost analysis conducted in 2009, Carlos Guzman, Inc. achieved the highest rating and offered the best pricing. Its proposed hourly rate is fixed throughout the life of the agreement and is 20% lower when compared to the next best proposal. Thus, staff determined that Carlos Guzman, Inc.'s pricing is fair and reasonable and is still to the advantage of the agency. Significant lead time is required for a new competitive procurement related to these services. Since this is not work that can be delayed, staff is recommending that the Board of Directors authorize the CEO to execute MTS Doc. No. L0884.2-09 (in substantially the same format as Attachment A) with Carlos Guzman, Inc. to increase the amount of the contract due to a higher-than-expected rate of body repair and paint work services and clarify the scope of work.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachments: A. Draft MTS Doc. No. L0884.2-09

DRAFT

Att. A, AI 7, 1/17/13

January 17, 2013

MTS Doc. No. L0884.2-09

Carlos Guzman, Inc.
Carlos Guzman President
1619 East Creston Street
Signal Hill, CA 907555

Subject: AMENDMENT NO. 2 TO MTS DOC. NO. L0884.0-09 FOR LRV ACCIDENT/VANDALISM DAMAGE REPAIR SERVICES

Dear Mr. Guzman:

This shall serve as Amendment No. 2 to our agreement for light rail vehicle (LRV) accident/vandalism damage repair services as further described below.

SCOPE OF SERVICES

To continue to provide LRV accident/vandalism damage repair services on an as-needed basis in accordance with the terms and conditions of the original MTS Agreement (MTS Doc. No. L0884.0-09). Notwithstanding the title "LRV accident/vandalism damage repair services" used in this contract, the parties acknowledge and agree that this Agreement authorizes Carlos Guzman Inc. to perform any and all body repair and paint work services necessary to keep the MTS LRV fleet in a good and serviceable condition, as determined by MTS. Services performed by Carlos Guzman Inc. under this contract are on an as-needed basis, initiated by a request from MTS.

Further, the parties acknowledge that the costs associated with safely disposing of all paint or other hazardous materials used by Carlos Guzman Inc. in the performance of this contract, in conformance with all applicable laws and regulations, shall be reimbursed by MTS.

SCHEDULE

There shall be no change to the schedule of this contract.

PAYMENT

The total value of this contract is increased from $2,721,000 to $3,891,000.

All other conditions shall remain unchanged. If you agree with the above, please sign below and return the document marked "Original" to the Contracts Administrator at MTS. The other copy is for your records

Sincerely,	Agreed:
______________________________	______________________________
Paul C. Jablonski	Carlos Guzman Inc.
Chief Executive Officer	Carlos Guzman
	Date: ______________________

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 8

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

January 17, 2013

Draft for
Executive Committee
Review Date: 1/10/13

SUBJECT:

SEMIANNUAL UNIFORM REPORT OF DISADVANTAGED BUSINESS ENTERPRISE AWARDS OR COMMITMENTS AND PAYMENTS

Item will be mailed out under separate cover

MTS® Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 9

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

January 17, 2013

Draft for
Executive Committee
Review Date: 1/10/13

SUBJECT:

2013 STATE AND FEDERAL LEGISLATIVE PROGRAMS

Item to be provided with Board mail-out materials

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 10

MEETING OF THE METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

January 17, 2013

Draft for
Executive Committee
Review Date: 1/10/13

SUBJECT:

AUDIT REPORT – CARLOS GUZMAN CONTRACT REVIEW (MTS DOC. NO. L0844.0-09)

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

The MTS Internal Auditor completed a review for information.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Karen Landers, 619.557.4512, karen.landers@sdmts.com

Attachments: A. Audit Report – Carlos Guzman Contract MTS Doc. No. L0844.0-09
B. Memorandum

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Memorandum

DATE: 1/4/2013

TO: Paul Jablonski and Karen Landers

FROM: Daniel Madzelan

SUBJECT: Carlos Guzman Contract Review (Contract L0844.0-09)

Background:

Internal Audit allocated 400 hours in their FY2013 audit plan for reviewing contract compliance and administration. Procurement provided a database listing all contractual agreements executed from May 1, 2007 through June 30, 2012. Total contractual agreements in the database were 1,671. Audit subsequently met with management from Finance, Procurement, and Legal establishing criteria for analyzing the data to identify contracts with greater risk profiles. The following were the criteria established for analyzing the data:

1. Dollar value of the contract,
2. Duration of the contract,
3. Type of contract (service, goods, construction, etc.),
4. Capital vs. operating expenditures;
5. Organization responsible for administration (MTS, SDTI, or SDTC), which determines the system used for procuring the related goods or services (IFAS or Ellipse),
6. Internal policies and procedures; and
7. Regulatory requirements.

Utilizing the criteria, Audit identified contract number L0844.0-09 with Carlos Guzman, Inc. (subsequently referred to as the "Contractor") as a contract with a higher risk profile.

Contractual Pricing Terms:

The contract called for the Contractor to provide LRV paint and body rehabilitation services to include vandalism and accident repair. The contract was entered into on July 22, 2009. The contract was for a three year base period with two (2) one year options exercisable at the sole discretion of MTS. The contract was effective August 1, 2009 through June 30, 2014. The three year base period of the contract was for $1,920,000, which included costs associated with operational expenditures ($1,164,000), tracked through the Ellipse System. The remaining costs ($756,000) were associated with capital project #11165 and tracked through the IFAS system. The total amount of the original contract, including the two option years, was $2,721,000. Below is a breakout of the cost by year and services.

Base Year One (Sept 1, 2009 – August 31, 2010)

Description	Est. Quantity	Unit Issue	Unit Price	Total
SD100 Paint and Body Work: Fixed Pricing Total cost shall include all materials, labor, tools, and supervision needed to successfully perform paint preparation, LRV body repair, and paint work, in accordance to the statement of work and DuPont technical specifications and procedures, for the Siemens Model SD100 LRV.	14*	Each	$29,500	$413,000
LRV Accident and Vandalism Repair Labor Rates and Materials				
Fixed Price per hour rate for LRV Body Repair Labor.	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Preparation and Paint Labor	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Decal Application and Removal/General Labor	3000*	Hour	$32	$96,000
Material includes, but is not limited to, DuPont Products, caulk, metals, and other similar material needed to effectively perform required work. Materials shall not include expendable items (such as tape, sandpaper, etc.) Contractor shall submit his or her proposal with unit pricing on all materials proposed. Contractor shall invoice MTS for materials at the actual cost received from the Contractor's supplier. All material invoiced shall be in direct support of the MTS requirement for accident and vandalism repair. Any reimbursement for materials shall be accompanied by an invoice provided by the Contractor's supplier.	Not to Exceed Allowance		N/A	$95,000
		Base Year One Total		**$796,000**

Base Year Two (Sept 1, 2010 – August 31, 2011)

Description	Est. Quantity	Unit Issue	Unit Price	Total
LRV Accident and Vandalism Repair Labor Rates and Materials				
Fixed Price per hour rate for LRV Body Repair Labor.	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Preparation and Paint Labor	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Decal Application and Removal/General Labor	3000*	Hour	$32	$96,000
Materials: Same provisions as detailed in Base Year One.	Not to Exceed Allowance		N/A	$100,000
Option Item:				
SD100 Paint and Body Work: Fixed Pricing Same provisions as detailed in Base Year One.	10*	Each	$29,500	$295,000
		Base Year Two Total		**$683,000**

Base Year Three (Sept 1, 2011 – August 31, 2012)

Description	Est. Quantity	Unit Issue	Unit Price	Total
LRV Accident and Vandalism Repair Labor Rates and Materials				
Fixed Price per hour rate for LRV Body Repair Labor.	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Preparation and Paint Labor	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Decal Application and Removal/General Labor	3000*	Hour	$32	$96,000
Materials: Same provisions as detailed in Base Year One.	Not to Exceed Allowance		N/A	$105,000
		Base Year Three Total		**$393,000**

Year Four/Option Year One (Sept 1, 2012 – August 31, 2013)

Description	Est. Quantity	Unit Issue	Unit Price	Total
LRV Accident and Vandalism Repair Labor Rates and Materials				
Fixed Price per hour rate for LRV Body Repair Labor.	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Preparation and Paint Labor	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Decal Application and Removal/General Labor	3000*	Hour	$32	$96,000
Materials: Same provisions as detailed in Base Year One.	Not to Exceed Allowance		N/A	$110,000
		Year Four Total		**$398,000**

Year Five/Option Year Two (Sept 1, 2013 – August 31, 2014)

Description	Est. Quantity	Unit Issue	Unit Price	Total
LRV Accident and Vandalism Repair Labor Rates and Materials				
Fixed Price per hour rate for LRV Body Repair Labor.	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Preparation and Paint Labor	3000*	Hour	$32	$96,000
Fixed Price per hour rate for Decal Application and Removal/General Labor	3000*	Hour	$32	$96,000
Materials: Same provisions as detailed in Base Year One.	Not to Exceed Allowance		N/A	$105,000
		Year Five Total		**$403,000**

* **Estimated quantities are for proposal purposes only. The quantities do not reflect guaranteed usage by MTS.**

Internal Contract Review:

Accounting/Finance provided Audit with reporting listing all payments made to the Contractor during the base year periods, which listed cost allocations for budgetary purposes. Accounting/Finance also provided Audit with the actual invoice payment files maintained for the Contractor for the base years of the contract. Utilizing the reports and payment files, Audit analyzed the invoices and related costs for the three year base periods of the contract for evidence of compliance with contractual terms and conditions.

The initial evidence reviewed raised several concerns regarding contractual compliance and administration of the contract. The concerns mostly related to information and communication of actual cost corresponding to the contract, as well as monitoring controls. Below are the key findings associated with this specific contract based on Audit's preliminary analysis of the available data.

1. As documented above in the contract terms, labor rates for all work performed was $32/labor hour. With the exception of invoices identified as accident repairs, the Contractor's invoices did not document total labor hours worked. The Contractor's invoices only listed the LRV number, an estimated invoice date, the actual invoice date, descriptions of the services to be performed, and the invoice total, broken out into labor, paint and materials, other materials (parts), and sales tax. Additionally, the Contractor did not provide time summaries to MTS reporting actual labor hours worked by their employees. Through management inquiry, Audit learned MTS and the Contractor have had a long term business relationship and that the format of the invoicing and information contained within the invoice has remained consistent since the first contract awarded to the Contractor in 2002.

   With respect to invoices classified as accidents, there were forty-seven (47) such invoices paid during the base year of the contract reported as accident repair. Based on reported labor hours and total labor costs reported on the invoices, the average labor rate charged for these invoices was $40.53/labor hour. From LRV Management, Audit obtained documentation from 2007 indicating the previous contractual terms specified labor rates for this type of work at $40/labor hour.

   Given actual hours were not reported on the face of other invoices and when hours were reported the calculated bill rate was on average $40.53/labor hour, there was circumstantial evidence suggesting the Contractor had not been invoicing MTS at $32/labor hour in accordance contractual terms.

   However, as will be discussed in subsequent pages of this report, the actual effective bill rate applied to labor costs was consistent with the contracted rate.

2. As documented above in the contract terms, the Contractor is to submit his/her proposals with unit pricing on all materials. Reimbursement for material costs require the Contractor to submit an invoice from the supplier the Contractor utilized. There was no evidence in the payment files the Contractor was submitting supplier provided invoices for material costs in accordance with contractual terms. The following are the totals costs classified as paint/materials and sales taxes as compiled by Audit for the three year base periods.

   a. Total costs of paint and materials reported on invoices - $189,842 (rounded).

   b. Total costs of sales taxes corresponding to paint and materials reported on the invoices - $16,618 (rounded).

   Without invoices from the Contractor's suppliers, Audit could not be certain that material costs and related sales taxes invoiced and paid by MTS represent actual costs incurred by the Contractor in performing services under the contract. Further, Audit could not be certain that expendable items (such as tape or sandpaper), which are not reimbursable, were excluded in the material costs invoiced to MTS by the Contractor.

3. Based on the invoices, there was evidence to suggest certain work/services performed by the Contractor were not specifically included within the scope of work as documented in the Request for Proposal (RFP) packet or contractual terms outlined above. Additionally, there were costs routinely billed to MTS for which there were no terms and conditions documented in the contract. For example:

    a. Over the three base years of the contract, the Contractor invoiced MTS approximately $105K for removing and replacing film exterior on trolley door panels. These services did not appear to be specifically related to vandalism or accident repair.

    b. Approximately $20K invoiced for repair and replacing floor mats on trolley cars; likewise these services did not appear to be specifically related to vandalism or accident repair.

    c. Invoices included material disposal costs. The total of these costs over the three base years was $16K. While it is necessary to properly dispose of materials the rate or cost of such services were not reflected in contractual terms, as such there was no evidence to indicate such cost should have been billed to MTS.

    d. There were also invoices indicating repair work performed on A/C units of trolley cars, as well as one invoice from the first base year of the contract indicating the Contractor repaired and aligned an entrance gate on MTS property.

4. The following is a summary of labor costs and hours based on the contracted bill rate in relation to accident and vandalism repair based on MTS fiscal year periods. NOTE: The contract base years and option periods were not based on MTS fiscal years. However, summary below shows a 12 month period of labor costs, which Audit considered representative of the cost incurred during contractual base year periods, which run Sept 1st through August 31st.

MTS Fiscal Year	Total Labor Costs Invoiced and Paid	Total Hours Billed Based on Contract Rate of $32/hr.
FY 2010	$426,870	13,339
FY 2011	$492,751	15,398
FY 2012	$483,670	15,224

    The total cost incurred during the three year base period of the contract was approximately $2.28M, or roughly $360K greater than the amount awarded for the base year period ($1.92M). Based on the table above, if billed hours continue at the same rate MTS would exceed the total value of the original contract award ($2.72M) as early as the first option year (year 4) of the contract. MTS exercised the option years of the contract in October 2011.

    From an MTS administrative perspective, given actual hours have never been tracked or communicated to MTS by the Contractor and billed hours in relation to the contracted labor rate were significantly greater than the estimates there were concerns as to the relevance and reliability of the labor hours estimated when developing the contractual terms.

Audit communicated these preliminary findings to management of Trolley, Procurement, Finance/Accounting, and Legal, with the recommendation that MTS invoke its rights under Section 16 of the Contract to have the Contractor grant access to their internal records for further examination. Audit formally notified the Contractor via letter on November 1, 2012 of MTS's intention to invoke their audit rights. The scope of formal audit was to examine records pertaining to invoice billed and paid during MTS's fiscal year 2012.

To substantiate labor costs, MTS requested the Contractor to provide copies of time sheets completed by their employees directly corresponding to invoices billed and paid during FY2012. This would allow MTS to quantify all time worked in relation to services performed on each invoice in accordance with contractual billing rates. Additionally, MTS requested the Contractor to provide excerpts of their payroll records so MTS could validate the

Contractor actually compensated their employees for the same amount of hours billed to MTS in relation to the invoices.

To substantiate material costs, MTS requested the Contractor to provide actual invoices from their suppliers corresponding to the material costs and sales taxes billed and reimbursed by MTS during FY2012.
The formal review took place over two days in December 2012. The following are the results of the review conducted by Audit.

External Contract Review:

As speculated, the Contractor verbally communicated that their invoices are not based on actual hours worked, but were estimates of labor costs, as well as materials, that would be necessary to repair trolley cars based on examining the cars requiring service. The Contractor prepares handwritten summaries of all the work required based on their examinations of the cars and presents these estimates to LRV Management for approval. Once LRV Management approves the service and related cost estimates, the estimates are converted into invoices, which are ultimately forwarded to MTS for payment processing. They stated this has been the agreed upon operating procedures since they have been providing services to MTS.

The Contractor also communicated they do not require their employees track their time in relation to invoices. They indicated it is not uncommon for their employees to work on different trolley cars during the course of their daily shifts. Contractor also stated they have never submitted supplemental invoices in the event their estimates are too low or issued credit memos to MTS in the event their estimates were too high in terms actual labor cost they incur as a result of their invoicing procedures.

Finally, the Contractor stated that in preparation for this review, they reviewed the contractual terms and examined their invoices to identify what they considered to be work within the scope of contract, as well as work they determined outside the scope of the Agreement; thereby confirming to Audit they have been performing work outside the scope of work based on requests for services from MTS Management.

Labor Cost Analysis

As requested the Contractor brought actual timesheets corresponding to invoices billed and paid by MTS during FY2012. They also provided their payroll records allowing Audit to verify that the hours reflected on employee timesheets corresponded to actual hours compensated by the Contractor. With only a few minor immaterial exceptions, hours reported by the Contractor's employees as worked on MTS projects were properly compensated to the employees by the Contractor.

Based on the Contractor's assessment of work in scope and work outside of the scope of the contract, the following tables summarize the results of the analysis performed by Audit.

Summary of Labor Costs during MTS FY2012

Total Labor Cost - Considered In the Scope of Work of the Contract	$338,785
Total Labor Cost - Considered Outside Scope of Work of the Contract	$144,885
Total Labor Costs Incurred – FY 2012	**$483,670**
Total Estimated Labor Costs – 12 Month Period (Estimated in Contract)	$288,000
Difference Between Actual 12 Month Cost and Est. 12 Month Cost	**$195,670**

Summary of Labor Hours during MTS FY2012: Contract Estimate of 9,000 Hours

Total Labor Hours Billed – Considered In the Scope of Work of the Contract	10,587.03
Total Labor Hours Billed - Considered Outside Scope of Work of the Contract	4,637.03
Total Labor Hours – FY 2012	**15,224.06**
Total Labor Hours Compensated by Contractor to their Employees	14,957.00

Difference Between Hours Billed and Compensated	**267.06**
Contract Labor Hourly Rate	$32.00
Labor Cost Overbilled to MTS during FY2012	**$8,545.92**
Effective Labor Rate for Invoicing during FY2012	**$32.33**

Evidence indicates that Contractor's estimates for labor costs applied to invoices were extremely close with contractual terms ($32.33/labor hour effective rate vs. $32/labor hour contractual rate), but their estimates did result in an overbilling of labor to MTS of $8.5K for the one year period reviewed.

As documented in the summary table, by the Contractor's analysis, roughly 30.5% (4,637/15,224) of the total hours billed were for services determined outside the contractual scope of work. Provided this percentage is representative of previous operations, a rough estimate of services received and paid outside the scope of the contract over the three year base period is $425K. Thus, evidence indicates that the scope of work prepared as part of the RFP process was not all encompassing of the work that would be required for the service agreement.

While services were received outside the scope of the agreement, Audit and Management agreed that all work performed was necessary to ensure the continued quality, both in appearance and structural integrity, of the fleet.

Material Cost Analysis

The Contractor provided actual invoices from their suppliers for materials purchased during FY2012.
The following table summarizes the results of the material analysis performed by Audit, based on the invoices presented to Audit by the Contractor for material purchases during FY2012, which includes sales tax.

<u>Summary of Material Costs during MTS FY2012</u>

Total Material Costs Allocated to MTS - Including Taxes (Rounded)	$62,103
Total Material Costs Purchased by Contractor - Including Taxes (Rounded)	$51,953
Difference between Purchased and Allocated	**$10,150**

There were purchases of materials the contract listed as expendable items and therefore not reimbursable to the Contractor (i.e. tape and sandpaper). However, the Contractor has not submitted invoices to MTS in relation to their material purchases in accordance with contractual terms. Given materials are allocated based on estimated usage of materials, Audit cannot determine whether these costs are or are not being passed through to MTS.

Evidence indicates that Contractor's allocation of material costs was greater than their actual purchases during FY2012. While over time the amount of material costs allocated should agree with actual purchases of materials, current procedures would not easily allow such a reconciliation in the event the business relationship were to end.

<u>Review Summary:</u>

While the evidence does not indicate any deliberate wrong doing, the controls of both MTS and the Contractor need to be improved to ensure compliance with the agreed upon pricing and scope of work of this Agreement. There is the need for corrective action by both parties to ensure that the contractual terms are adhered too for the duration of the contract.

From an MTS organizational perspective, while this report addresses one specific contract, preliminary reviews of other contracts to date have found similar internal control concerns in the current operating environment and internal controls governing contract compliance and administration. As such, there is considerable risk as assessed by Audit with this area of governance.

NOTE: Although the formal review to corroborate preliminary findings did not take place until December, Audit communicated the results of their preliminary reviews to management as it related to this contract throughout the course of the review. Therefore, several corrective actions have already taken place. Additional recommendations included in this report are based on having completed the review and having a clearer understanding of current operating procedures. Recommendations should help further ensure compliance with this particular agreement for the remainder of the contractual period.

Additionally, members of Procurement, Finance/Accounting, Legal, as well as Audit have been working to develop new internal controls governing contractual compliance and administration throughout the entire organization to mitigate these events from happening going forward. (See Attachment B.) Audit currently plans on issuing a summary report of all relevant findings and corrective actions in relation to all contracts reviewed prior to the end of the current fiscal year, as well as the corrective actions taken by Management, which Audit has worked in a consultative capacity in formulating.

Recommendations Specific to this Contract:

1. The Contractor has changed the formatting of their invoices to include estimates of total labor hours and cost of labor hours utilizing the contracted rate of $32/labor hour. While the process is better than previous invoicing, the need for determining actual hours worked is still necessary to ensure cost accuracy. Accordingly, Audit would recommend the following:

    a. The Contractor should have their employees track their hours in relation to individual invoices/projects. Subsequently, the actual hours spent on a project should be communicated to LRV Management, so that an overage or shortages can be reconciled via a supplemental invoice or a credit memo.

    b. If the Contractor does not have the capabilities to track hours by individual projects, then at the end of a month, the Contractor should provide to LRV Management the totals hours worked and compensated to their employees. LRV Management can then calculate any potential overages or shortages in relation to their estimates, such that a supplemental invoice can be issued if estimated hours were less than actually worked or a credit memo applied to future invoices if hours estimated were greater than actual hours worked.

2. LRV Management should request the Contractor suspend their process of estimating and allocating material costs on individual invoices and require the Contractor to submit copies of invoices from their suppliers for all material purchases. This would allow LRV Management to review the supplier invoices and ensure that no expendable items are reimbursed by MTS to the Contractor. This would also help management in determining the actual costs of materials purchased during base year periods, as the current allocation suggests more material costs are being allocated to MTS than actually purchased by the Contractor.

Based on the total costs incurred to date, there is a need to authorize additional funding in order to complete the remainder of the option years of the contract. Procurement is working with LRV Management, Legal, as well as the Contractor; to gain a clearer understanding of the nature of the services the Contractor has been performing that is outside the scope of work, such that the contract can be amended to reflect these services. This process should provide MTS a clearer understanding of all the work the Contractor has been performing, such that when the time comes for awarding a new contract, all of the related services are included in the scope of work such that a fair procurement solicitation can take place.

Report Distribution:

Wayne Terry
Cliff Telfer

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Att. B, AI 10, 1/17/13

Memorandum

Interim Course of Action (pending completion of full Contracts Management Audit)

(September 2012 through December 2012)

Summary of Issue:

Recent reviews of contracts by the Internal Auditor and General Counsel have revealed a need for additional training and oversight in the contract management process. A team (Karen Landers, Daniel Madzelan, Ernesto DeGuzman, Cliff Telfer, Jeff Stumbo, Larry Marinesi, Tom Lynch, and Linda Musengo) was established to review the issue and develop an Interim Action Plan.

Causation:

The failure in the contract management process can be attributed to several factors:

1. Inadequate training of Project Managers concerning the contract terms and the invoice review and tracking process.

2. Lack of coordination between Contract Officer and Project Manager after execution of the contract.

3. Project Manager and Finance Department managing the contract spending against the department budget but not the contract authority.

a. For payments made through Ellipse, "annual" purchase orders were issued. If this amount was exceeded before the fiscal year was up, a new purchase order was issued, without any reference to the contract or review of the contract authority available. The purchase order increases were only checked against the department budget, which is made up of multiple contracts/types of work.

b. Requests to increase purchase orders were normally generated by a pending invoice that could not be paid without an increase in authority. This request for authority should have triggered a contract review by the contract officer before Finance approved the increase.

Proposed Action Plan:

1. <u>Increased Training for Project Managers</u>

Project Managers will be trained on the oversight requirements for a contract (contract scope, contract payment terms, invoice review expectations, payment voucher preparation).

2. <u>Increased Training for Contract Officers</u>

Contract Officers will be trained on their role in oversight of a contract. Contract officers will be expected to maintain communication with Project Manager regarding performance of the contract, any issues with the spend rate on the contract or the assumptions made in the pricing/hours expended. If there are issues with exceeding the authority of a purchase order, this should be brought to the attention of the Procurement Director and General Counsel.

3. <u>New Contracts Administrator Position</u>

Create a new Contracts Administrator (CA) position in the Procurement Department to act as an independent review and oversight of contracts and invoices. CA would review invoices against the contract terms, track spending on each contract and PO, and prepare a Payment Voucher for routing to the Project Manager and other signatories. CA would run reports for contract parties as needed and maintain spreadsheets on a Global drive for review and access by contract parties. In the event the spend rate is exceeding expectations or other irregularities arise, the CA would bring this to the attention of the Contract Officer and Project Manager for resolution.

4. <u>Kick-Off Meeting for All Parties to the Contract</u>

Initiate a Kick-Off Meeting for each contract, where all parties involved (Contract Officer, CA, Project Manager, Accounts Payable Representative, and Vendor) will attend. If necessary, the Vendor can attend via conference call. Kick-Off meeting would go over contract scope and terms, and requirements for invoicing, change orders and other anticipated issues.

5. <u>Contract Management Documents Maintained on Global</u>

CA position would maintain contract documents and contract management spreadsheets in a new Global folder or directory. Creates a central place for all MTS parties interested in the contract to review pertinent documents or reports.

6. <u>New Purchase Order Process in Finance</u>

Effective immediately, only one purchase order will be issued for each contract. The amount will be issued for the anticipated spend in the first 12 months of the contract. When 12 months is up, additional funds will be added to the purchase order to fund the next 12 months of operation. In the event additional funds are needed before the 12 months is complete, a contract review must be completed and a justification for additional funds prepared and provided to the Procurement Director and General Counsel, who will determine if Board action is required.

Justification for New Contracts Administrator Position:

The proposed Action Plan finds that there needs to be a detailed tracking of invoices paid and a review of such invoices against the contract terms and the spend authority approved by the Board. Currently, this is not performed by all Project Managers or by Contract Officers or Finance. The level of review and detail required will make this a time-consuming process. Project Managers are focused on making sure the contracted-for work is being performed, in addition to multiple other job duties. In addition, the invoice tracking process will require an expertise with Excel and accounting principles not held by most Project Managers.

The CA position will act as an important "check" in the check and balance process between the Project Manager and Finance/Procurement. This independent review is important. By having this contract oversight function performed by one person (instead of multiple project managers), there will be a consistent standard of review applied to every contract.

The CA position does not absolve Project Managers of responsibility for contracts assigned to them. Instead, it allows the Project Manager to focus on the performance aspects of the contract, while at the same time providing a resource to keep the Project Manager educated about the contract terms, the spend rate and any contract issues as they arise.

The CA position will allow improper invoicing or billing practices to be caught at the earliest possible time (before the invoice is paid), saving staff time and preventing overcharges to MTS that may not be recovered if discovered at a later date. The CA position review function will also identify spend rate trends and other issues that may require upcoming Board action, as opposed to requiring a request for Board ratification or corrective action after authority has been exceeded.

The CA position's review and contract tracking function will also provide additional assistance in the budgeting process, by identifying trends and actual amounts spent on each contract.

<u>Proposed Contract Management Procedures</u>

(to be modified as needed during implementation)

A. <u>Contract Kick-Off Meeting</u>

Occurs after contract awarded but before performance starts.

<u>Attendees:</u>

- Contracting Officer
- Contracts Administrator (NEW POSITION)
- Accounts Payable
- Project Manager
- Vendor

<u>Topics to Review:</u>

1. When contract performance should start
2. Contract terms and performance expectations
3. Invoice Processing
    - Review Contract Pricing Terms and discuss what details and back-up should be provided with each invoice
        - Hourly rate or unit price applicable to each line item
        - # of hours or units expended and supporting documentation required
        - Other permissible costs with back up documentation
            - Parts/materials (receipts for parts with line item pricing)
            - Delivery charges (third-party invoice or receipt if not a flat rate detailed in contract pricing)
            - Disposal fees (third-party invoice or receipt if not a flat rate detailed in contract pricing)
            - Subcontractor fees/payments (third-party invoice or receipt <u>plus</u> subcontractor payment form - NEW)
    - Distribute Contract Management Invoice Log spreadsheet
        - Define who is responsible for each stage
            - <u>Stage 1</u>: Invoice submitted to Accounts Payable by Contractor/Vendor
            - <u>Stage 2</u>: Accounts Payable emails PDF of invoice and backup to NEW POSITION to initiate Payment Voucher processing
            - <u>Stage 3</u>: NEW POSITION reviews invoice for compliance with contract terms (scope, pricing and required backup); if complete & accurate, NEW POSITION prepares Payment Voucher and updates Contract Management Invoice Log spreadsheet; NEW POSITION sends completed Payment Voucher to Project

Manager to confirm work completed satisfactorily and for signature/approval

- Stage 4: Project Manager routes Payment Voucher for additional required signatures; Project Manager should also be keeping track of status of contract funds (spend rate/if additional funds will be needed)
- Stage 5: After all required signatures, Finance processes invoice for payment

▪ Identify when status of contract needs to be re-evaluated (NEW POSITION refers to Contracting Officer for review/action)
  - When Spend Rate exceeds current funding for specific contract year (does contract need to be amended to add funds based on increased needs?)
  - When specific invoice is outside scope (does contract scope need to be amended?)
  - Does Option Year need to be exercised?
  - Does contract performance (for one time projects) need to be accelerated or decelerated?

B. Individual Responsibilities for Each Contract

1. Contract Officer
   - Manages procurement process from Procurement Initiation Form (PIF) to Contract Award to Contract Completion
   - Establishes initial PO amount for Contract based on contract authority
   - In coordination with NEW POSITION, prepares initial Contract Management Invoice Log spreadsheet for each new contract
   - Monitors requests for additional PO amounts for compliance with contract authority; reports requests to Procurement Director and General Counsel
   - In coordination with Procurement Director and General Counsel, identifies if additional contract authority needs to be requested from CEO or Board
   - Tracks contract term and option periods; initiates exercise of option periods
   - Upon contract completion, prepares contract close-out report for Procurement file
2. Project Manager
   - Schedules, manages and oversees Contractor performance
   - Reviews invoices to confirm satisfactory performance/completion
   - Upon receipt of Payment Voucher from NEW POSITION, reviews and approves Payment Voucher and routes to next signatory
   - Monitors spend amount on contract/PO (reports/spreadsheets prepared by NEW POSITION) and against Budget
   - Coordinates with Contracting Officer if additional work, not anticipated in original contract scope, is necessary; Contract amendment maybe required

3. NEW CONTRACTS ADMINISTRATOR (CA) POSITION
   - Coordinates preparation of initial Contract Management Invoice Log spreadsheet with Contracting Officer
   - Maintains Contract Management Invoice Log spreadsheet for each contract
   - Upon receipt of invoice from Accounts Payable, reviews invoice for compliance with contract terms, including:
     - Work is within contract scope
     - Work has been completed
     - Invoice is in conformance with contract (includes accurate unit pricing, units/hrs expended, has appropriate back up documentation, etc.)
   - If invoice is not in compliance with contract terms, refer to Contract Officer and Project Manager for resolution with Contractor. DO NOT PROCESS PAYMENT VOUCHER.
   - If invoice is in compliance with contract terms, prepare Payment Voucher and update Contract Management Invoice Log spreadsheet to reflect new invoice. Send Payment Voucher to Project Manager for approval and signature routing.
   - Maintain updated folders on Global for each contract, including:
     - Contract Management Invoice Log spreadsheet
     - Contract Documents (original contract and amendments) →discuss with IT using a link to files to avoid excessive IT storage issues
     - Board Agenda Items related to contract
   - Notifies Contracting Officer if trends appear concerning spend rate or other issues that may require additional funds during the contract term/PO period.
4. Accounts Payable
   - Receives invoice from vendor and sends to NEW POSITION for action (Can be done electronically or by routing paper copies)
   - Receives Payment Voucher after signature routing; processes Payment Voucher
   - If no funds on PO to pay invoice, refer to CA for follow-up. Hold payment until notified of resolution.

C. <u>Contract Management Folder on Global (may be moved to future Procurement Intranet Site)</u>

1. Access for CA and authorized backup
2. Read-Only access for all others
3. Individual sub-folders for each Project Manager
4. Individual sub-sub-folder for each contract, including:
   - Contract Management Invoice Log spreadsheet (kept up-to-date by NEW POSITION)
   - Contract Documents (original contract and amendments) →discuss with IT using a link to files to avoid excessive IT storage issues
   - Board Agenda Items related to contract

D. Implementation Plan

1. Schedule training/roll out for contracting officers, project managers, account payable and others.
2. For approximately 150 open, existing contracts:
    - Prioritize contracts and prepare Contract Management Invoice Log spreadsheet and Global folder for each one
    - Project Manager and Contracting Officer to prepare log sheets with help from following (potentially) available staff
    - Initially:
        - start log sheets for existing contracts with funds spent to date vs. contract and PO authority
        - Identify if PO authority is consistent with contract authority; if not, refer to General Counsel and Internal Audit).
        - Project Manager to input new invoices on log sheet until CA is hired
3. NEW CA POSITION:
    - Proposed Job Description
    - CEO Approval
    - HR recruitment
    - Training
    - CA takes over Contract Management Invoice Log spreadsheet process, etc.
    - If time permits, CA inputs old data in existing contract log sheets