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Agenda

METROPOLITAN TRANSIT SYSTEM

****BOARD OF DIRECTORS MEETING & FINANCE WORKSHOP****

March 21, 2013

» » 9:00 a.m. « «

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

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FINANCE WORKSHOP - 9:00 a.m.

**ACTION
RECOMMENDED**

1. Roll Call

2. a. Fiscal Year 2014 Capital Improvement Program (Mike Thompson)

Action would: (1) approve the fiscal year 2014 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels. As the federal appropriation figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels; (2) forward a recommendation to the San Diego Association of Governments (SANDAG) Board of Directors to approve the submittal of Federal Section 5307, 5337, and 5339 applications for the MTS fiscal year 2014 CIP; (3) approve the transfer of \$1,300,139 from previous CIP projects to the fiscal year 2014 CIP; and (4) forward a recommendation to the SANDAG Board of Directors to approve Amendment No. 12-03 of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2014 CIP recommendations.

**Approve/
Forward**

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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

FINANCE WORKSHOP - Continued

2.
 - b. Fiscal Year 2013 Midyear Operating Budget Adjustment (Mike Thompson) Approve
Action would approve Resolution No. 13-6 amending the fiscal year 2013 operating budget for MTS, San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), MTS Contract Services, Chula Vista Transit, and the Coronado Ferry including using excess revenues over expenses of \$4.5 million to initiate a capital reserve for SD 100 light rail vehicle replacement.
 - c. Preliminary Projections for Fiscal Year 2014 Operating Budget (Mike Thompson) Receive
Action would receive a report regarding the preliminary projection for the fiscal year 2014 operating budget.
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.
 - a. Next Finance Workshop: April 18, 2013, at 9:00 a.m.
 - b. Adjournment

BOARD MEETING - Meeting will begin when the Finance Workshop ends.

5.
 - a. Roll Call
 - b. Approval of Minutes - February 21, 2013 Approve
 - c. 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 furnish a copy to the Clerk of the Board.

CONSENT ITEMS

6. California Emergency Management Agency (Cal EMA) California Transit Security Grant Program (CTSGP) Funding - Fiscal Year 2012-2013 Approve
Action would approve Resolution No. 13-5 authorizing the use of and application for California Transit Security Grant Program (CTSGP) funding for capital projects that provide increased protection against security and safety threats and/or increases the capacity of transit operators to prepare for and provide disaster-response transportation systems.
7. California Department of Transportation (Caltrans) Program of Projects for Federal Transit Administration (FTA) Section 5311(f) Funding - Fiscal Year 2013 Approve
Action would approve Resolution No. 13-4 authorizing the use of and application for FTA Section 5311(f) funds for operating assistance in nonurbanized areas.
8. Buffer/Coupler Overhaul Services - Contract Award Approve
Action would authorize the CEO to execute MTS Doc. No. L1100.0 with Complete Coach Works to overhaul up to 104 buffer/couplers—including the replacement of certain subcomponents as needed—and up to 6 refurbished buffer/couplers to use as spares.

CONSENT ITEMS - Continued

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|-----|--|---------|
| 9. | <u>Bus Bench Advertising - Exercise Contract Option Years 4 and 5</u>
Action would authorize the CEO to execute MTS Doc. No. B0201.2-99 to exercise option years 4 and 5 with Coast United Advertising for bus bench advertising revenues from February 2, 2013, through February 1, 2015. | Approve |
| 10. | <u>Amendment to Chief Executive Officer Employment Agreement</u>
Action would approve MTS Doc. No. G0912.6-04 (the Executive Employment Agreement between MTS and Paul C. Jablonski) to allow Mr. Jablonski to accrue up to 80 hours of compensatory time in 2013 (retroactive to January 1, 2013). | Approve |
| 11. | <u>Audit Reports - Trolley and Bus Storerooms</u>
Action would receive internal audit reports on Trolley and Bus Storeroom operations. | Receive |
| 12. | <u>Hewlett-Packard Storage Solution for MTS in Support of Enterprise Resource Planning (ERP) Project</u>
Action would authorize the CEO to execute MTS Doc. No. G1521.0-13 with Nth Generation Computing, Inc. to purchase two Hewlett-Packard 3PAR 7400 (4) Node Arrays, associated software, 24/7 support for five years, and the professional services required to install, configure, and test the equipment. | Approve |
| 13. | <u>Increased Authorization for Legal Services - Trovillion, Inveiss & Demakis, APC</u>
Action would authorize the CEO to execute MTS Doc. No. G1433.2-12 with Trovillion, Inveiss & Demakis, APC to pay current and future legal expenses throughout the remainder of fiscal year 2013. This will include ratification of prior contracts/amendments entered into under the CEO's authority. | Approve |
| 14. | <u>Property Insurance Renewal</u>
Action would authorize the CEO to renew the property insurance coverage for the Metropolitan Transit System (MTS), San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI) with the California State Association of Counties - Excess Insurance Authority (CSAC-EIA) Property Insurance Program, effective March 31, 2013, through March 31, 2014, with various coverage deductibles of \$25,000 (real estate and personal contents property), \$100,000 (bus fleet), \$250,000 (light rail fleet), and \$1,500,000 (roads, bridges, and tunnels). | Approve |
| 15. | <u>Authorize Execution and Amendment of Site Lease in Connection with Issuance and Sale of Lease Revenue Bonds and Lease Revenue Refunding Bonds and Other Documents by the Public Facilities Financing Authority of the City of San Diego</u>
Action would adopt Resolution No. 13-8 authorizing the CEO to execute a Site Lease, and any other necessary documents, with the City of San Diego (City) as part of the City's refunding of the lease revenue bonds used to finance the 1993 construction of the light rail extension to the Old Town Transit Center. | Adopt |
| 16. | <u>Taxicab Administration Contract Extension</u>
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 CEO to negotiate the final contract. | Approve |

CLOSED SESSION

24. None.

NOTICED PUBLIC HEARINGS - *Approximate start time is 10:00 a.m.

- | | | |
|------|---|-------------------------------|
| *25. | <u>Public Hearing to Adopt a Resolution of Necessity for Full Acquisition of Assessor's Parcel No. 549-181-05, 6645 Imperial Avenue, San Diego, California Owned by Thomas and Tiffany Mannion (Karen Landers and Tim Allison)</u>
Action would: (1) receive public testimony; (2) adopt Resolution No. 13-7 by a two-thirds vote approving the full acquisition of Assessor's Parcel No. (APN) 549-181-05; and find that the public interest and necessity require the project; the project is still planned or located in a manner that will be the most compatible with the greatest public good and the least private injury; the acquisition of the property is necessary for the project; and an offer of just compensation has been made to the property owner; and (3) authorize staff to proceed with condemnation proceedings to acquire the subject parcel. | Receive/
Adopt/
Approve |
|------|---|-------------------------------|

DISCUSSION ITEMS

30. None.

REPORT ITEMS

- | | | |
|-----|---|-------------|
| 45. | <u>Security Report (Bill Burke)</u>
Action would receive a report for information. | Receive |
| 46. | <u>Bus Rapid Transit (BRT) Project Updates (Denis Desmond)</u>
Action would receive a report for information. | Receive |
| 47. | <u>Bus Rapid Transit (BRT) Branding (Rob Schupp)</u>
Action would receive a report on Bus Rapid Transit (BRT) branding for buses procured for Interstate 15 (I-15), Mid-City, and South Bay BRT services. | Receive |
| 48. | <u>Compass Card (Sharon Cooney)</u>
Action would receive a report for information. | Receive |
| 60. | <u>Chairman's Report</u> | Information |
| 61. | <u>Audit Oversight Committee Chairman's Report</u> | Information |
| 62. | <u>Chief Executive Officer's Report</u> | Information |
| 63. | <u>Board Member Communications</u> | |
| 64. | <u>Additional Public Comments Not on the Agenda</u>
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. | <u>Next Meeting Date:</u> April 18, 2013 (Finance Workshop starts at 9:00 a.m.) | |
| 66. | <u>Adjournment</u> | |

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

DRAFT MINUTES

February 21, 2013

MTS - 1255 Imperial Avenue, Suite 1000, San Diego

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:00 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Cunningham moved to approve the minutes of the January 17, 2013, MTS Board of Directors meeting. Mr. Ovrom seconded the motion, and the vote was 14 to 0 in favor (with Ms. Salas abstaining).

3. Public Comments

John L. Wood – Mr. Wood asked when and if MTS would extend the platform at the Lemon Grove Depot. Mr. Wood spoke with a City Engineer and the City Planning Department and they are not aware of the City being responsible for any of the construction relating to the platform. Mr. Wood would like to know why Euclid station gets concrete on both sides and the middle of the track while Lemon Grove and all stations each get asphalt with Spring Street only getting ballast. Mr. Wood advised MTS does not provide sufficient station announcements. He indicated the gates go down at Broadway and Lemon Grove Ave. as soon as the trolley stops on the inbound side and on the outbound side they come down at Central Ave., two maybe three blocks away and he would like to know why that is occurring.

Mr. Mathis advised Wayne Terry, Chief Operating Officer of Rail would be able to answer Mr. Wood's questions.

David Tasem – Mr. Tasem advised there is concern about taxi robberies and he provided a brochure regarding a device hopefully to be used in the future by the City and County to help taxi drivers notify the police by silent alarm. Mr. Tasem realizes it's a bit premature to introduce the device, but wanted the industry that regulates Taxicab Administration to be aware and begin conversations regarding implementing such a device to keep drivers safe. Mr. Tasem explained the device has been test marketed in Dallas and is very low cost.

CONSENT ITEMS

6. San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports and Ratification of Actions Taken by the SD&AE Board of Directors at its Meeting on January 15, 2013

Action would: (1) receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Pacific Imperial Railroad, Inc. (PIR) quarterly reports for information; and (2) ratify actions taken by the SD&AE Board at its quarterly meeting on January 15, 2013.

7. Investment Report - November 2012

Action would receive a report for information.

8. Pay Phone Services - Contract Award

Action would authorize the CEO to: (1) execute MTS Doc. No. L1086.0-12 with Western Communication Systems, Inc. (WESCOMM) as a revenue contract for pay phone services for a five-year base period with 2 one-year option terms; and (2) exercise each option year at the CEO's discretion.

9. Excess Insurance Renewals for Liability and Workers' Compensation Program

Action would approve the purchase of excess liability insurance (at limits of \$75 million less a \$2 million self-insured retention) and excess workers' compensation insurance (at statutory limits less a \$1 million self-insured retention) The new policies would be in effect from March 1, 2013, through March 1, 2014.

10. Fiber-Optics Link Project - Funds Transfer

Action would approve the transfer of funds from the Fiber-Optics Link Project (CIP 11340) to the Orange/Green Lines Fiber-Optics Cable Project (CIP 1144400) to complete the fiber loop from Old Town to Santa Fe Depot.

11. Investment Report - December 2012

Action would receive a report for information.

12. Kearny Mesa Division Garage Floor Epoxy Coating - Job Order Contract Work Order

Action would authorize the CEO to execute Job Order Contract (JOC) MTSJOC1431-04 with ABC Construction for the Kearny Mesa Division (KMD) Garage Floor Epoxy Coating Project.

13. Onboard CCTV System Installation - Contract Amendment

Action would authorize the CEO to execute MTS Doc. No. L0955.2-10 with UTC Fire and Security for the provision of onboard video surveillance systems on 8 additional S70 light rail vehicles (LRVs).

14. Proposed Revisions to MTS Policy No. 50 (Engineering and Construction Expense Cost Recovery for Plan Review, Real Estate Actions, and Right of Entry Permits)

Action would approve revisions to MTS Policy No. 50 (Engineering and Construction Expense Cost Recovery for Plan Review, Real Estate Actions, and Right of Entry Permits) to increase the current right of entry permit fee as recommended by the San Diego and Arizona Eastern Railway Company (SD&AE) Board of Directors at its quarterly meeting on January 15, 2013.

15. California Department of Transportation (Caltrans) Program of Projects for Federal Transit Administration (FTA) Section 5311 Funding - Fiscal Year 2013

Action would approve Resolution No. 13-3 authorizing the application for and use of FTA Section 5311 funding for operating assistance and miscellaneous improvements in

nonurbanized areas.

BOARD MEMBER QUESTIONS:

Mr. Alvarez questioned the similarities between Consent Item 7 and Consent Item 11. Mr. Alvarez asked why there were decreases in investment income for some capital acquisition and other costs and if this happens every year at the same time of year.

Tom Lynch, Controller stated that there is restricted and unrestricted investment income. Mr. Lynch advised the restricted income is restricted for capital items or other bond payments, etc. and this will stay fairly stable. He explained the unrestricted investment income is what MTS uses for day to day operations such as payment of bills, payroll, etc. and these are normal fluctuations. He stated the normal trend is that MTS gets most of its money on the front end of the fiscal year and it works its way down at the end of the year depending on when MTS receives its Federal money for preventative maintenance which typically occurs later in the year.

Mr. Alvarez inquired about the contract process with WESCOMM.

Ms. Claudine Aquino, Procurement Specialist discussed the other proposals in addition to WESCOMM proposal. Ms. Aquino provided information on how MTS awarded the contract to WESCOMM.

Mr. McClellan questioned with regard to Item 12 and asked if there would be a material included in the epoxy to prevent a slippery surface.

Mr. Jablonski advised it is a repair of the floor to fill in the pitting and the sealant is in the epoxy.

Ms. Spielberg advised there is no grit within the epoxy, but the surface is not slick and it is a porous surface. She advised that MTS has few injuries and there are strict procedures in place with regard to tending to spills.

Action on Consent Items 6-15

Mr. Minto moved to approve Consent Items 6-15. Mr. McClellan seconded the motion, and the vote was 15 to 0 in favor.

CLOSED SESSION

24. Closed Session Items

The Board convened to Closed Session at 9:13 a.m.

- a. **CLOSED SESSION - PUBLIC EMPLOYEE PERFORMANCE EVALUATION/CONFERENCE WITH LABOR NEGOTIATORS CHIEF EXECUTIVE OFFICER** Pursuant to California Government Code Sections 54957 and 54957.6;
Agency-Designated Representative: Harry Mathis;
Employee: Paul C. Jablonski
- b. **CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS**
Pursuant to California Government Code section 54957.6
Agency-Designated Representative: Jeff Stumbo
Employee Organization: Amalgamated Transit Union, Local 1309

- c. **CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS**
Pursuant to California Government Code Section 54956.8
Property: 6645 Imperial Avenue, San Diego, California (Assessor Parcel No. 549-181-05)
Agency Negotiators: Paul Jablonski, Chief Executive Officer; Karen Landers, General Counsel; Tim Allison, Manager of Real Estate Assets; and Bruce W. Beach, Best Best & Krieger LLP
Negotiating Parties: Thomas and Tiffany Mannion
Under Negotiation: Price and Terms of Payment

The Board reconvened to Open Session at 10:33 a.m.

Oral Report of Final Actions Taken in Closed Session

Karen Landers, General Counsel, reported the following:

- a. The Board provided instructions to its designated representative Harry Mathis.
- b. The Board received a report and provided instructions to negotiators.
- c. The Board received a report and provided instructions to negotiators.

NOTICED PUBLIC HEARINGS:

- 25. None.

DISCUSSION ITEMS

- 30. 2013 State and Federal Legislative Programs (Sharon Cooney and Peter Peyser and Beth Boehlert of Peyser Associates, LLC)

Sharon Cooney, Chief of Staff provided a presentation on the Legislative Program. She discussed highlights, Federal legislative priorities, 2012 State highlights and 2013 State legislative priorities.

Ms. Cooney introduced Peter Peyser and Beth Boehlert with Peyser Associates, MTS's Federal Representatives. Ms. Boehlert discussed the Fiscal Cliff bill, Sequestration, MTS's funding and how this funding is affected by new Federal legislation, the 2014 Federal budget, and the debt limit. Mr. Peyser discussed Federal programs for the funding of public transportation, future projects, transportation development, Title VI, and the Buy America program and how it affects transit regulations.

Ms. Emerald questioned Taxi Bill 1534 and audio recording as drivers are concerned their private conversations are being recorded. Ms. Emerald advised her office was working on getting sponsors from the Assembly and State Senate to move a new version of 1534 that would not have audio and would amend the vehicle code to allow cities to require cameras in taxis.

Ms. Emerald questioned what specific actions Peyser Associates is taking to keep the Mid-Coast project on the forefront and galvanize more support so individual legislators understand how important this project is to the region.

Mr. Peyser advised his firm has been in regular contact with the Federal Transit Administration

headquarters team and is working closely with Region 9 in San Francisco. Mr. Peyser advised they convey the strength of the political support and substantive work being done on the project. He advised SANDAG visited and spoke to legislators and advised of regional support. He stated it is Peyser Associates' role to make sure in Washington, D.C. both the Administration and Capitol Hill are briefed on the progress on a regular basis to make sure all levels of the Federal establishment stay apprised of project status.

Ms. Emerald requested regular updates from Peyser Associates on what they are doing to move MTS's agenda forward and asked with regard to Title VI what their action plan is on behalf of disadvantaged areas in the region and how Peyser Associates are communicating this in Washington, D.C. Ms. Cooney advised of the extensive and strict guidelines with regard to Title VI. Mr. Peyser advised there is a legislative piece to Title VI and how it is interpreted and the issues that arise.

Mr. Alvarez asked if Ms. Cooney was performing the State lobbying efforts. Ms. Cooney advised MTS has a State representative in addition to MTS's Federal representative however she coordinates the efforts.

Mr. Alvarez asked if MTS has sponsored any legislation at the State level. Ms. Cooney advised MTS has not sponsored State legislation in the last couple years and usually MTS works behind the scenes to actively seek a consensus to help move legislative items through the process. Ms. Cooney explained that in addition MTS works with the leadership and their staff to help craft legislation, and Paul Jablonski is the Chair of the California Transit Association ("CTA") which has allowed MTS to focus efforts statewide so when MTS goes to Sacramento MTS is more powerful than its delegation might allow.

Mr. Alvarez asked with regard to our Federal efforts what specific things are being done to become successful with regard to the Mid-Coast project. Mr. Peyser responded that the process that will be gone through is similar to that of Sacramento, LA, and Mission Valley East in the last decade. Mr. Peyser discussed the environmental approvals, the grant agreement and additional funding requirements to accelerate construction. Mr. Peyser advised it is Peyser Associate's role to help the region with its strategy and communicate the region's priorities to the Federal Government.

Mr. Alvarez questioned with regard to Virginia Ave. Ms. Cooney advised MTS is working with all available partners in the area and SANDAG has taken the lead. MTS shares the Peyser contract with SANDAG and NCTD and are working in conjunction with them as well and keeping abreast of the funding scheme for the entire construction project in hopes that MTS can carve out a portion of that for the Virginia Avenue Intermodal Center and have worked actively with Mr. Peyser who is working with the legislators.

Mr. Alvarez asked if all 5 members of our congressional delegation have expressed written support of the Mid-Coast project. Mr. Peyser advised due to the new members they will request written approval again. Congressman Issa previously did not sign the letter, but hopefully the next time approval is requested he will sign the letter of support.

Action Taken

Ms. Emerald moved staff recommendation: (1) to receive a report on state and federal issues and advocacy; and (2) to approve staff recommendations for 2013 state and federal legislative programs. Mr. Minto seconded the motion, and the vote was 14 to 0 in favor (with Mr. Gloria absent).

31. Taxicab Administration Contract Renewal

Ms. Cooney introduced Bill Kellerman as the new Taxicab Administration Manager who was formerly Deputy Director of Security for MTS. Ms. Cooney provided background on the Taxicab Administration and discussed Taxicab Administration activities. She provided a recommendation that was vetted by the Board's Executive Committee on February 14th and a draft negotiating position.

Mr. Mathis added that MTS had received a representation from the Mayor's office and the City of San Diego advising that the Mayor has taken a position where he does not wish to renew the contract, however at this time MTS has not received anything in writing and in the absence of receiving anything in writing the Board concluded it was best to establish a negotiating position at present time. Mr. Mathis advised concerns were raised by the Board with respect to the voting by Board members who represent the City of San Diego. He explained MTS has no legal basis to deny the Board Members who represent the City of San Diego the vote, but these Board Members represent both sides of the table allowing them to negotiate on behalf of MTS and the City of San Diego, therefore MTS has suggested it is appropriate for the City of San Diego representatives to abstain on this issue.

Ms. Salas questioned that in the contract it states that MTS does not become involved in disputes between the permit holder and sub-contractor, however MTS issues the permits and asked if there is some degree of oversight MTS would have to have with regard to these relationships.

Mr. Mathis advised MTS is a pass through and MTS does not establish the number of permits or the policies associated with their issuance. He explained MTS is only responsible for the administrative work. Mr. Jablonski further explained that MTS issues the medallion (permit) to the owner of the vehicle, but the owner can choose what to do with this medallion (they can operate it themselves, they can hire someone to operate it, they can contract with someone as an independent to operate it which is the majority).

Ms. Salas responded that if there are a limited number of permits issued to make it a profitable business shouldn't the permits come with a competitive value, perhaps some type of a report card to show that the permit owner is operating in a way that serves the public well.

Mr. Jablonski answered that the City of San Diego designates the number of permits issued. He explained that there have been several studies conducted resulting in the fact that there are too many permits at present time and therefore no more are being issued. As the City has requested additional permits, MTS has employed a variety of methodologies to do this. The first is a simple lottery and the second is an RFP basis where permit holders competed and received points for such things as an alternative fuel vehicle, etc. He further explained MTS has regulations to hold drivers to specific standards such as safety of the vehicles and MTS provides enforcement in the field to make sure the regulations that are in MTS's ordinance are being complied with by the operators.

Public Comments

Ronald Hawkins – Mr. Hawkins stated he was a permit holder for seven years and has been a driver in the City of San Diego. He stated there are issues that have arisen between the haves and have nots. He stated he operates a clean and safe cab with a driver he believes to be happy. He stated that if there are issues between owners and leaseholders there are always

other owners a leaseholder can drive under or they can get into a different industry. Mr. Hawkins indicated he is in favor of MTS renewing the contract. He believes there are improvements to be made but MTS has the system in place to take care of the drivers.

Donald Segal – Mr. Segal stated he is a native San Diegan and he is a single cab permit holder and he is the driver. He discussed his varied career and familial background. He voiced concerns about Taxicab Administration not staying with MTS. He stated he is worried that whomever takes over the contract would be a group not familiar with the background. Mr. Segal stated he supports the MTS contract renewal.

Alfredo Hueso – Mr. Hueso expressed that he is in favor of MTS renewing the contract as the City of San Diego does not do a good job of enforcement or administration and MTS has been doing a much better job as they have great expertise and are better at regulating the industry such as providing comprehensive inspections. He indicated MTS has garnered cleaner vehicles and has better trained code enforcement officers.

Anthony Hueso – Mr. Hueso stated he is President of USA Cab. He expressed that he believes government is being irresponsible in their actions and there is a lot of back and forth bickering at the expense of the general public. Mr. Hueso stated that MTS has a professional staff, many of which are at risk of losing their jobs and they have dedicated their lives to the taxi industry. He asked the City of San Diego to look at the overall industry and to review in a more comprehensive way.

Moses Woldemariam – Mr. Woldemariam stated that he has been in the taxi business the last 22 years and he is in favor of MTS renewing the contract. He expressed that he is not sure if the City is going to do a better job and he wants the City to explain how they will do better than MTS. He stated that all of the problems started the last couple years with the group Marti Emerald is representing. He indicated he has not heard any complaints from the consumers.

Stephanos Tekleharmanot – Mr. Tekleharmanot stated he operates and owns T&T cab. He stated he has been in the taxi industry for more than 16 years. He explained that MTS may have imperfections like other agencies, but it is one of the top taxicab administrations in the nation and MTS is on the right track with the new amendment of Ordinance 11 to stop unfair business competition.

Ben Seifu – Mr. Seifu voiced that he is against MTS renewing the contract as there has been a lack of understanding and lack of oversight. He concluded there has been a creation of an underground economy and it is not a moral or ethical thing to do.

Joseph Gottom – Mr. Gottom stated he has been a taxi driver since 1989 and he has never found any mistake with MTS. Mr. Gottom concluded that he supports the contract renewal.

Margo Tanquay – Ms. Tanquay advised transportation belongs with transportation. She stated if the City of San Diego takes over Taxicab Administration the other smaller cities in the region will have to create their own infrastructure, certain accounts will not be able to be picked up, and it will be very costly. She stated that Mr. Kellerman is the right man for the job as he thinks regionally and this is why taxicab administration needs to stay with MTS. Ms. Tanquay implored the City to contemplate these issues and supports the MTS contract renewal.

Michel Anderson – Mr. Anderson has been with West Coast Cab since 1997 and he went through the RFP process several years ago and they were selected because they earned it and were awarded 20 permits. Mr. Anderson encouraged the Board to keep Taxicab Administration

with MTS. Mr. Anderson expressed that he likes being part of the regional transportation committee and appreciates the Workshop on Regulatory Matters. Mr. Anderson addressed those who oppose the contract renewal and asked them to review the options and advised there would be severe consequences and many groups of people would be negatively affected should the contract not be renewed.

Anthony Palmeri – Mr. Palmeri is president of Yellow Radio Service and owns one Yellow Cab in the City of San Diego. Mr. Palmeri advised that most of the owners are concerned because they don't know what is happening with the contract and they don't know if the bed they are in is better than the bed they are going to. He stated that prior to 1988 inspections were much less comprehensive and he is very worried about cities that will no longer have taxi coverage.

Paulos Hailemichael – Mr. Hailemichael stated that he has been involved in the taxi industry for 23 years. He stated the he is speaking on behalf of many permit holders with most of them being single permit holders. He stated there is no labor/owner suppression or oppression and renewing the MTS contract is the just thing to do.

Mikhail Hussein – Mr. Hussein advised for the last 25 years MTS has been in charge of Taxicab Administration and MTS has failed to regulate the right way as they have only done their job halfway. He expressed that he is against contract renewal.

Sarah Saez – Ms. Saez from United Taxi Workers advised Evan McLaughlin was a representative from the San Diego and Imperial County's Labor Council and was at the meeting in support of the Mayor's initiative as well as Lorena Gonzales. Ms. Saez advised she does not support contract renewal as MTS is not doing its job. Ms. Saez discussed inspection failure rates and pointed to an MTS document. Ms. Saez stated permit holders have been running the industry and the public is not safe. She advised the drivers do not make a living wage and are missing other protections and the current Taxicab Administration is not working.

Ms. Zapf, Chair of MTS's Taxicab Committee, advised she understands there has been some discussion between MTS and the Mayor's office and the Mayor's intention to not renew the contract. She stated in order to make all options available to the City, Ms. Zapf recommends approving the contract negotiation today so the City has every option on the table. Ms. Zapf advised she sent a memo to the Mayor and all of her Council colleagues addressing her concerns and the issues to consider if the City chooses to take over Taxicab Administration such as understanding the plan, logistics, budget implications, enforcement, etc. Ms. Zapf explained at present time the Mayor has not shared his vision for Taxicab Administration with Ms. Zapf. Ms. Zapf requested the Board to approve the draft Amendment to the Agreement, allow the City to make the decision with all options on the table and to realize this action is only to authorize negotiations between MTS and the City.

Mr. Roberts advised he was on the Council in 1988 that showed infinite wisdom in making the transfer of Taxicab Administration from the City to MTS. Mr. Roberts stated there were rampant problems when Taxicab Administration was with the City of San Diego.

Ms. Emerald stated that she supports the motion if a minor change is made to the language with regard to the abstention of the members of the City Council to vote on contract amendments. Ms. Emerald stated that the City Attorney provided language to MTS and opined that it is not legal to force members of the MTS Board who represent the City of San Diego to abstain from the vote as there is no conflict of interest unless any of the members have a direct conflict of interest such as economic interest, etc.

Ms. Landers advised that changing the language is a policy decision that would be made by the Board. She stated that MTS never took the position that the City of San Diego Council members were legally barred from voting and it was a contractual term as it is a rare contract where parties are directly adverse to each other and it was a proposal for the City of San Diego Council members to contractually agree not to vote, but it was purely a policy proposal and not a legal opinion by MTS saying they could not vote. Ms. Landers explained that in order to amend the language, it must be approved by the MTS Board.

Mr. Ewin commented that he wants to make sure the MTS Board Members are not faced with a nuclear option, the weighted vote and he asked Ms. Emerald if the voting would be 1 to 1 and if that was her representation. Mr. Ewin asked that the City of San Diego get all of the initial work done and advance planning in the future to prevent unnecessary work by the MTS Board Members.

Ms. Emerald responded it was not her intention to introduce the nuclear option. She advised she does not wish to tie her hands moving forward and does not feel it is a good policy choice with regard to vote abstention by the City of San Diego Council Members who sit on the MTS Board of Directors.

Mr. Alvarez questioned the next steps and what happens if the City of San Diego and MTS can not reach an agreement.

Ms. Landers advised the action today is acknowledging the contract expiration and asking for direction to authorize a draft document and to enter into negotiations for a counter-proposal to come back to MTS. Staff would make a recommendation on the counter-proposal, and at some point a final contract amendment (if it is decided to go forward to continue Taxicab Administration) would be put on the docket for the City and MTS to approve. If there is a proposal that comes back to MTS that cannot be agreed upon at the staff level, MTS would tell the Board and recommend how to proceed. She explained if the contract expires before a decision is made, MTS needs instructions on what to do in the interim such as implementation of an extension of the current contract.

Mr. Gastil advised it would be extremely difficult for the other cities to implement Taxicab Administration by themselves without help from the City of San Diego. Mr. Gastil stated he sees many advantages if Taxicab Administration stays with MTS.

Mr. Mathis advised the issue is to decide what the role of MTS is with regard to Taxicab Administration.

Action Taken

Ms. Zapf moved 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 with the following amendment: *~~"Any attempt by the CITY or any of its officers to change to these restrictions on MTS's responsibilities shall be considered an amendment to this agreement that would require the acquiescence agreement of the MTS Board with all of the CITY members abstaining from the vote and CITY."~~* Mr. Roberts seconded the motion, and the vote was 13 to 0 in favor (with Mr. Gastil abstaining and Mr. Gloria absent).

32. Gas Service Provider Agreement Extension (Mike Thompson)

Mr. Mathis moved to waive the report and move the item.

Action Taken

Mr. Cunningham moved to authorize the CEO to: (1) extend the gas service provider agreement with BP Energy Company (BP) for a five-year base term with 2 one-year option terms; (2) exercise each option year at the CEO's discretion; and (3) execute any documents necessary for MTS to participate in the BP direct market, federal Renewable Identification Number (RIN), and state low-carbon fuel standard (LCFS) programs. Mr. Ovrom seconded the motion and the vote was 12-0 in favor (with Ms. Zapf, Emerald and Mr. Gloria absent).

REPORT ITEMS

45. Los Angeles-San Diego-San Luis Obispo Rail Corridor (LOSSAN) Joint Powers Authority

Mr. Ewin advised he had attended the recent LOSSAN meeting and three amendments were voted on and adopted. He stated the LOSSAN JPA amendment needs to be adopted unanimously by all LOSSAN participants and 30 days was given to those who have not yet taken a position such as SANDAG and NCTD.

Mr. Jablonski clarified that last month it was voted to pass the JPA with three amendments; however it was with the understanding that MTS had concurrence from NCTD and SANDAG. SANDAG is still conveying support; however, NCTD has decided they are no longer in agreement as they did not approve of the voting structure and did not want SANDAG to have the option to vote. Therefore the current situation is not unanimous. He explained that if after the 30 days given by the LOSSAN Board of Directors, NCTD reconsiders and votes "yes" then the JPA would move forward. If NCTD opposes, the legislation becomes moot and additional legislation will have to be sought to create a new JPA without a unanimous vote which is likely to happen.

Action Taken

No action was taken.

46. Bus Rapid Transit (BRT) Project Updates

The item was deferred until the next meeting.

47. Bus Rapid Transit (BRT) Branding (Rob Schupp)

The item was deferred until the next meeting.

48. Service Performance Monitoring Report for July 2012 through December 2012

Action Taken

An oral report was waived and Ms. Emerald moved to receive a report for information. Mr. Minto seconded the motion, and the vote was 12 to 0 in favor (with Messrs. Gloria, Ewin and Ms. Zapf absent).

49. Operations Budget Status Report for December 2012

Action Taken

An oral report was waived and Ms. Emerald moved to receive the MTS operations budget status report for December 2012. Mr. Minto seconded the motion, and the vote was 12 to 0 in favor (with Messrs. Gloria, Ewin and Ms. Zapf absent).

60. Chairman's Report

Mr. Mathis advised he recently travelled to Barona for the SANDAG retreat.

61. Audit Oversight Committee (AOC) Chairman's Report

There was no AOC Chairman's report.

62. Chief Executive Officer's Report

Mr. Jablonski advised he recently travelled to Barona for the SANDAG retreat and also Palm Springs to attend the APTA CEO's Conference.

63. Board Member Communications

Mr. Minto referenced a news article regarding MTS's trolley safety and security force and recent claims that have been made. He explained that although MTS's security force is a private company it is important to make sure our riders are safe and asked for information for a future discussion on the claims that have been made to either dispel or confirm the information.

Mr. Mathis advised MTS is very involved in the level of training the security force receives and Bill Burke, Chief of Police / Director of Security would address the Board directly.

Mr. Jablonski advised that the majority of people who were involved in the article do not work for MTS and a large number of the issues in the article do not affect MTS.

Mr. Alvarez requested information regarding the contracts with the security force and the level of interaction MTS has with our private security personnel.

64. Additional Public Comments on Items Not on the Agenda

There were no additional public comments.

65. Next Meeting Date

The next regularly scheduled Board meeting is March 21, 2013 (Finance Workshop starts at 9:00 a.m.).

66. Adjournment

Chairman Mathis adjourned the meeting at 12:29 p.m.

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Office of the Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

Attachments: 1. Roll Call Sheet
2. eTrak GPS Brochure
3. Letter from Alfredo Hueso, VP, USA CAB LTD

METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
ROLL CALL

MEETING OF (DATE): February 21, 2013

CALL TO ORDER (TIME): 9:00 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:13 a.m.

RECONVENE: 10:33 a.m.

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

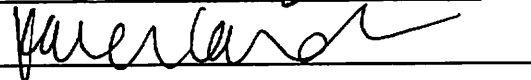
ADJOURN. 12:29 p.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ALVAREZ	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:05 a.m.	12:29 p.m.
BRAGG	<input checked="" type="checkbox"/> (Bilbray) <input type="checkbox"/>	9:00 a.m.	12:29 p.m.
CUNNINGHAM	<input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/>	9:00 a.m.	12:25 p.m.
EMERALD	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:02 a.m.	12:29 p.m.
EWIN	<input checked="" type="checkbox"/> (Arapostathis) <input type="checkbox"/>	9:00 a.m.	12:20 p.m.
GASTIL	<input checked="" type="checkbox"/> (Jones) <input type="checkbox"/>	9:00 a.m.	12:29 p.m.
GLORIA	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:00 a.m.	11:12 a.m.
MATHIS	<input checked="" type="checkbox"/>	9:00 a.m.	12:29 p.m.
MCCLELLAN	<input checked="" type="checkbox"/> (Ambrose) <input type="checkbox"/>	9:00 a.m.	12:29 p.m.
MINTO	<input checked="" type="checkbox"/> (McNelis) <input type="checkbox"/>	9:00 a.m.	12:29 p.m.
OVROM	<input checked="" type="checkbox"/> (Denny) <input type="checkbox"/>	9:00 a.m.	12:29 p.m.
RIOS	<input checked="" type="checkbox"/> (VACANT) <input type="checkbox"/>	9:00 a.m.	12:29 p.m.
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:00 a.m.	12:29 p.m.
SALAS	<input checked="" type="checkbox"/> (Ramirez) <input type="checkbox"/>	9:00 a.m.	12:29 p.m.
ZAPF	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:00 a.m.	12:13 p.m.

SIGNED BY THE CLERK OF THE BOARD:



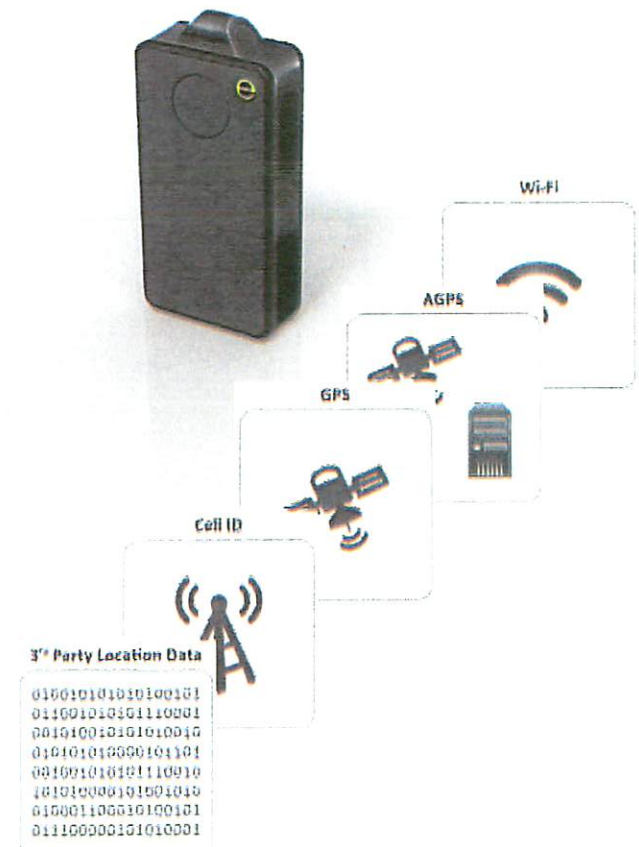
CONFIRMED BY THE GENERAL COUNSEL:



Patented Technology

The eTrak patented GPS+ provides the **world's first and only** location management platform that functions on all computer and major smartphone operating systems, utilizing Hybrid Tracking technology.

- **The patented Hybrid Tracking combines Wi-Fi GPS, & CID** for improved power management and tracking.
- Ability to track via Wi-Fi only
- eTrak utilizes motion detection to minimize battery drain.
- eTrak GPS+ is more accurate **indoors or outdoors**



1. eTrak: PERS (Personal Emergency Response System) Device

- Small device used to track the location of a person or object. Can be worn on the wrist, ankle, around the neck, - or attached to a keyring, belt, backpack, shoelace - or kept in a pocket, glovebox, suitcase
- Contains "Panic Button" used to notify others of emergency response, and sends location to predetermined recipients.
- Used by caregivers and concerned persons for tracking humans or assets.
- Wi-Fi/Cellular/GPS enabled for pinpoint accuracy utilizing Google Maps from any smartphone or computer.

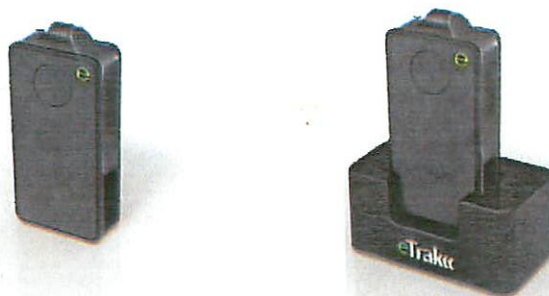
2. PetTrak: Small device used to track the location of a pet.

3. AssetTrak: Commercial Asset Tracking System, designed for commercial applications.

- Small device supporting multiple functions and power sources
- Ruggedized for protection from environment.
- Detailed geo fencing capability
- Multiple alerting functionality (speed, mileage, temp, etc..)
- Wi-Fi/Cellular/GPS enabled for pinpoint accuracy utilizing Google Maps from any smartphone or compute

eTrak

PERS/Consumer Product



Features:

- Weighs less than an ounce
- Small, wearable
- Alert button – sends an email and text message to pre-determined addresses and mobile numbers
- Long battery life: up to 7 days
- No installation required: Console is web based, iPhone and Android supported
- Water resistant
- Low cost total solution

eTrak»

Enterprise Solution

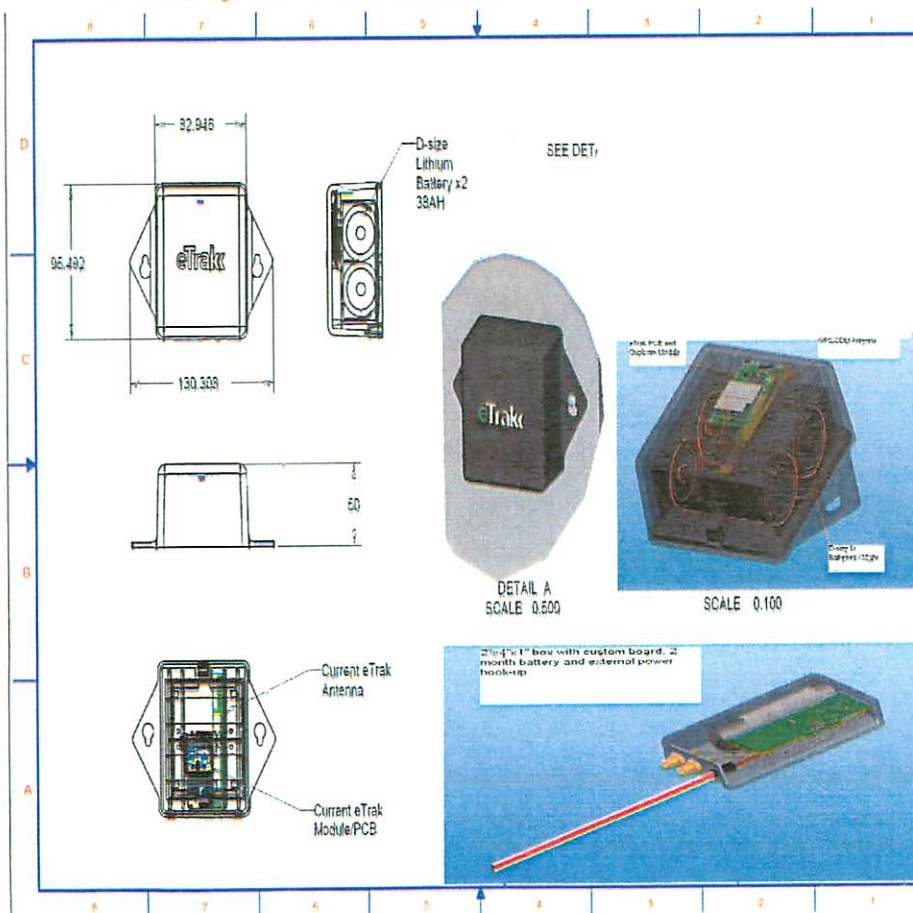
Features:

eTrak D

- Ruggedized
- Environmentally Protected
- Secure Mounting
- Compact Solution (3.75"x 3.25")
- D Cell Battery (1 to 2 year before replacement)

eTrak PS

- Ruggedized
- Environmentally Protected
- Compact Solution (2"x4"x1")
- Long lasting internal battery (2 month between charging)
- External Power supply
- External I/O Ports





Product Features

ASSET TRACKING

- AC power source hardwiring/ DC power source hardwiring
- Tracking device with extended, internal battery life
- Power control to remotely turn equipment on/off
- track-on-demand
- Automatic location tracking/reporting with configurable tracking interval
- Geofencing and alert
- Speed monitoring and alert
- Mileage monitoring and alert
- Movement monitoring: shake, tilt, accelerate, decelerate, crash

LOCATION-TRACKING:

- Small device used to track the location of a person or object. Can be worn on the wrist, ankle, around the neck, - or attached to a key ring, belt, backpack, shoelace - or kept in a pocket, glove box, suitcase or other.
- Used by caregivers and concerned persons for tracking humans or assets.
- Wi-Fi/Cellular/GPS enabled for pinpoint accuracy within twenty meters utilizing Google Maps from any smartphone or computer.

EMERGENCY MESSAGING:

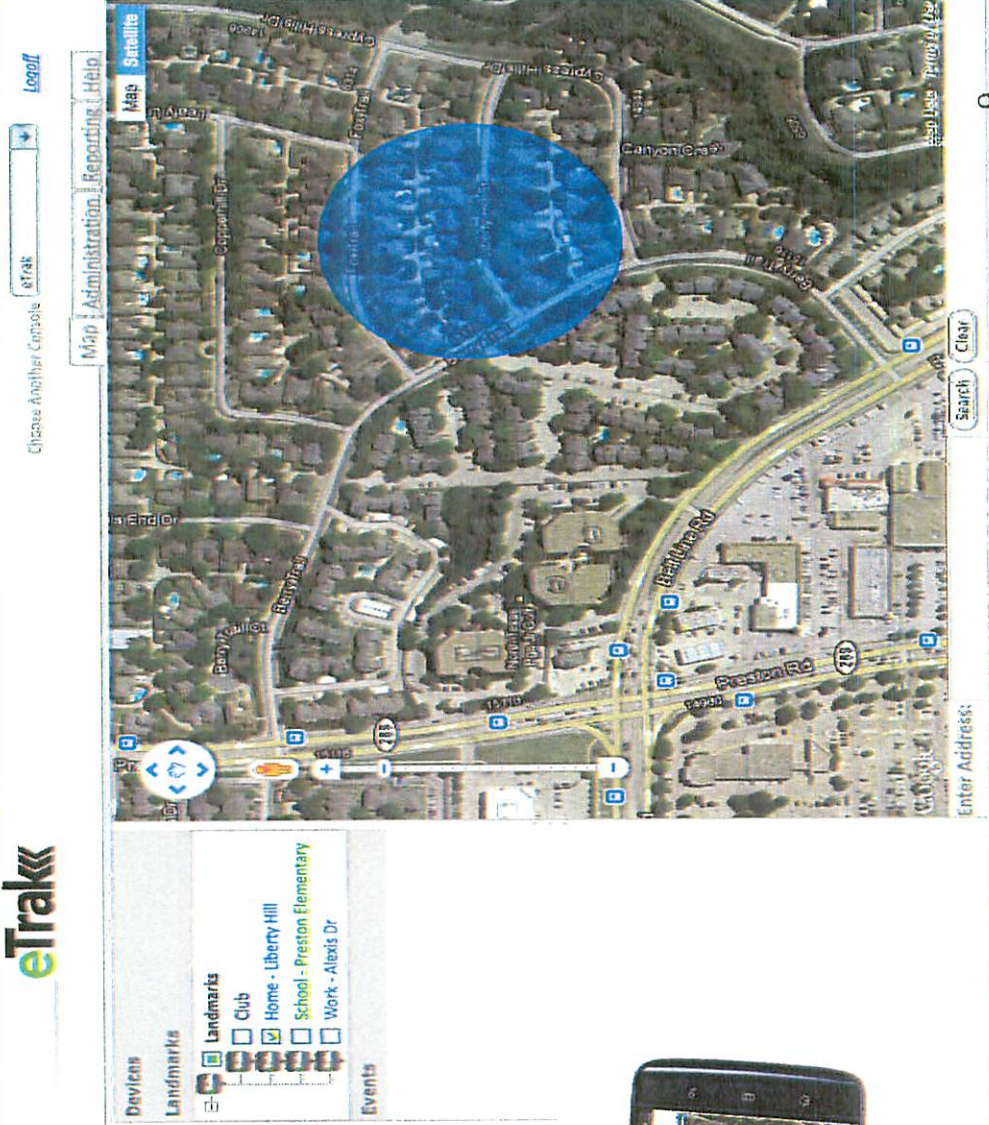
- Sends an emergency text and email to pre-programmed cellphone numbers and email addresses, and forwards it's location, including a map with turn by turn directions to get to it.
- Used by senior citizens, health-impaired persons, employees and others concerned for safety to send a request for emergency aid.
- Competitive products operate on landline telephones and only function within 100 ft. eTrak is cellular, so it functions anywhere.

The eTrak "Safety Circle" is a feature that allows the user to draw a boundary circle around a house, yard, school, neighborhood, city, which acts as the protective perimeter.

- If the device travels beyond the *Safety Circle*, it will send emails and text messages to pre-programmed contacts alerting them of the device location
- A Google Map and turn-by-turn directions to the location of the device are included in the



eTrak



**Grandma****Details**

History



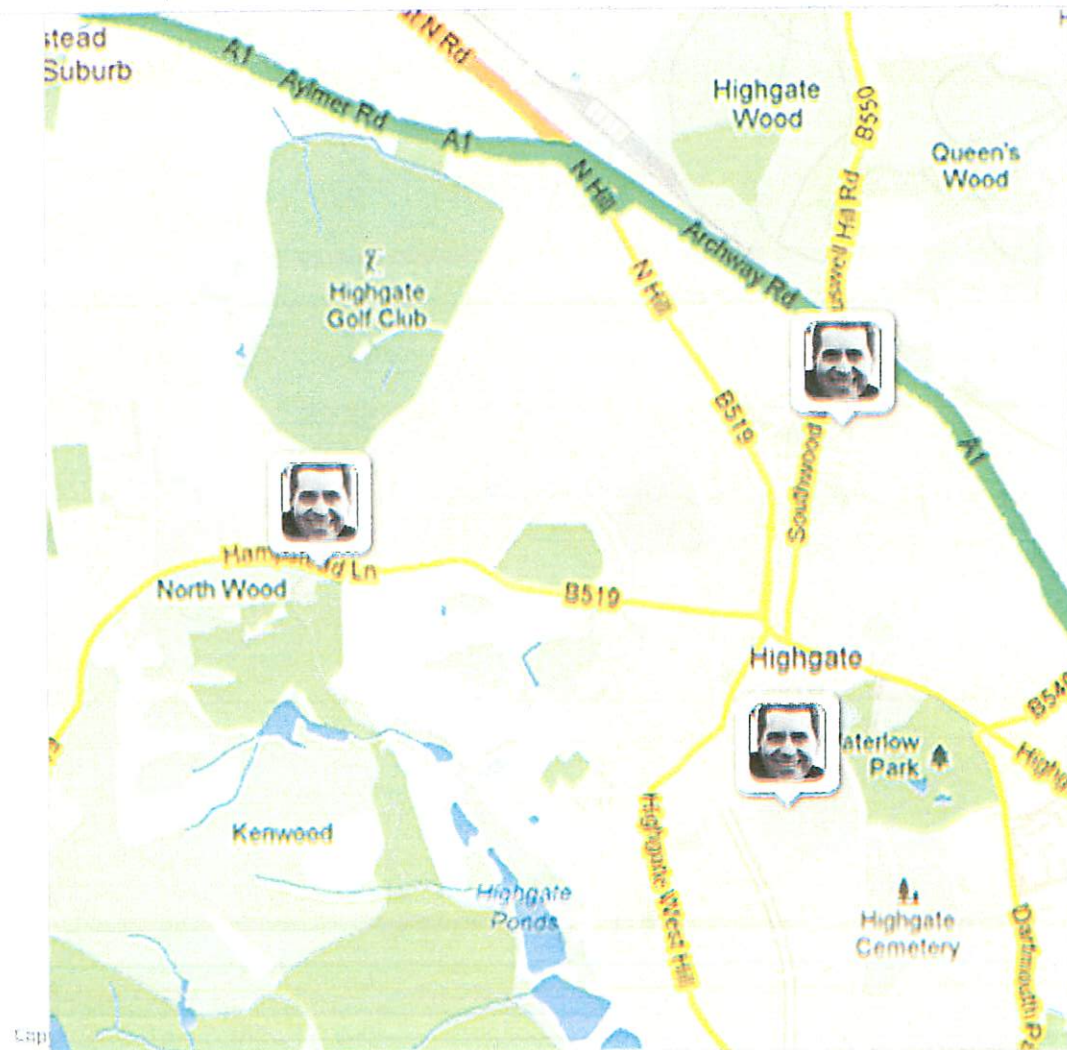
Zones



Settings

Status: Emergency

Last update March 21, 2012 10:10 AM CST

Closest Location5916 Monticello Av.
Dallas, TX 75206Lat 32° 51' 45.682 N
Lon 96° 43' 23.435 W
Alt 450'[Get Directions](#)**Battery Level** 75%



USA Cab LTD * 2660 Imperial Ave. * San Diego, CA 92102 * T. 619.231.1144 * F. 619.231.7066

February 2013

MTS
1255 Imperial Ave
San Diego, Ca 92101

Re: Renewal of Agreement between MTS and City of San Diego

Dear Honorable Board Members:

We are here today to support the renewal of agreement between MTS and the City of San Diego. Before we list are reasons for renewing contract we will provide you some history. Prior to 1988 taxicab administration and enforcement was done by the City of San Diego, and they did not do a very good job. After years of issuing over 600 permits in five years, our industry was in shambles. For example, many Taxicab companies began charging multiple rates, and many vehicles that were unsafe to be driven. The City of San Diego then decided to contract the administration and enforcement to MTS, and state laws were passed in order for them to do it. The same reasons the City of San Diego decided to contract with MTS are still relevant today:

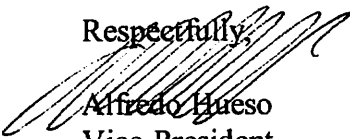
1. They have greater expertise in management, administration and enforcement,
2. MTS would be regulating on a regional basis, so that taxicab companies can serve a larger jurisdiction without having to deal with multiple bureaucracies.
3. More comprehensive inspections have resulted in safer vehicles for the public and the taxi drivers. Also, more vehicles that are clean and cosmetically sound
4. MTS code enforcement field inspectors are better trained, and have greater knowledge of taxicab rules and regulations.
5. When some staff changes occur MTS has trained new individuals that are knowledgeable.
6. Also, MTS administration has been more accessible to deal with issues that come up.

More important is that we have 25 years of fine tuning rules and regulations, and the fine employees at MTS that rely on a paycheck. Can the City of San Diego do a better Job? Well, that is an open question that we can't really answer, but if we look at the past, then we would conclude that they can't.

MTS and the City of San Diego have forged a partnership that has served them both well. Initially the taxi industry was opposed to MTS doing the regulation and enforcement in 1988, but now many of us support them because of what has been built in the last 25 years. If the City of San Diego returns to regulation and enforcement of taxicabs, then they will have to create the infrastructure for doing this task. It would take a great deal of money, time and effort. As we all know police officers are already

stretched very thin, and today, unlike 25yearsago, we can not get any officer to come investigate a taxi driver robbery or to fill out a report of an accident. According to a recent article that says the San Diego City Council does not have proper oversight of its own committee's? The City of San Diego does not need to take on any new tasks. We highly recommend that you vote to renew the contract. To use a very old saying that says, " IF IT ISN'T BROKE, THEN DON'T FIX IT." Thank you for your time.

Respectfully,



Alfredo Hueso
Vice-President
USA CAB LTD



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

Agenda Item No. 2a

MTS OPERATORS FINANCE WORKSHOP

March 21, 2013

SUBJECT:

FISCAL YEAR 2014 CAPITAL IMPROVEMENT PROGRAM (MIKE THOMPSON)

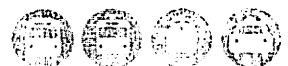
RECOMMENDATION:

That the MTS Board of Directors:

1. approve the fiscal year 2014 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels (Attachments A and B). As the federal appropriation figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels;
2. forward a recommendation to the San Diego Association of Governments (SANDAG) Board of Directors to approve the submittal of Federal Section 5307, 5337, and 5339 applications for the MTS fiscal year 2014 CIP (shown in Attachment A);
3. approve the transfer of \$1,300,139 from previous CIP projects to the fiscal year 2014 CIP; and
4. forward a recommendation to the SANDAG Board of Directors to approve Amendment No. 12-03 of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2014 CIP recommendations.

Budget Impact

The total estimated funding for fiscal year 2014 is \$121.7 million (Attachment A). After the utilization of \$41.5 million in preventative maintenance, \$7.8 million for Americans with Disabilities Act (ADA) preventative maintenance (funding the fiscal year 2013 operating budget), funding for SANDAG planning studies totaling \$889,000, and \$9 million shifted to the operating budget, \$62.6 million is available for capital projects.



DISCUSSION:

Federal Funding

On July 6, 2012, President Obama signed the Moving Ahead for Progress in the 21st Century (MAP-21) legislation reauthorizing surface transportation programs through fiscal year 2014. MAP-21 establishes the legal authority to commence and continue FTA programs. Each reauthorization amends the Federal Transit Laws codified in 49 USC Chapter 53. MAP-21 took effect on October 1, 2012.

MAP-21 supersedes the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which is the previous legislation to fund FTA programs. MAP-21 provides for the following funding streams MTS commonly receives:

- 5307 Urban Area Formula Grants for capital improvements and preventative maintenance
- 5311 Formula Grants for Rural Areas for capital improvements and to supplement operating costs
- 5337 State of Good Repair Funding for capital improvements and preventative maintenance
- 5339 Bus and Bus Facilities Funding for capital improvements

There were a number of changes to funding sources in going from SAFETEA-LU to MAP-21. These changes include the inclusion of Fixed-Guideway Modernization funds (formerly 5309) into section 5337 State of Good Repair, as well as the modification of section 5309 Bus and Bus Facilities to Fixed-Guideway Capital Investments, which will now be focused on "New Starts" projects. Additionally, Section 5316 Job Access Reverse Commute (JARC) funding has been repealed, and JARC funding is now included in 5307 for urban services and 5311 for rural services.

The fiscal year 2014 MTS CIP (Attachments A and B) will serve as the basis for the federal formula grant applications. The FTA requires submission of grant applications to obligate annual appropriations under sections 5307, 5337, and 5339. The funding levels for each section (as indicated in Attachment A) are estimates.

As the region's Metropolitan Planning Organization (MPO), SANDAG apportions the 5307, 5337, and 5339 formula funds between MTS and the North County Transit District (NCTD) based on service-area populations. Prior to the apportionments, SANDAG deducts funds from Section 5307 for funding the region's vanpool program. MTS receives approximately 70 percent while NCTD receives approximately 30 percent of these federal formula funds.

Section 5307 Urbanized Area Formula Program is a block grant program in which each urbanized area over 50,000 in population receives financial assistance to provide public transit. The formula for determining each metropolitan area's share of funds is based on an urbanized area's population, population density, levels of existing fixed-guideway service, and levels of existing bus service and ridership. The Section 5307 program is designed to meet routine capital needs and may not be used for operating assistance. However, the Transportation Equity Act for the 21st Century (TEA-21) expanded the

definition of capital to include preventative maintenance, thereby, in effect, mitigating the relative lack of federal assistance for operations. In addition to the expanded definition of capital, the Section 5307 Urbanized Area Formula Program also allows for a maximum of 10 percent of the allocation to support operations of ADA complementary paratransit service.

For federal fiscal year 2013, the estimated allocation for the MTS Section 5307 program is \$38.9 million, which would be matched with local funds of \$9.7 million. This program would provide an estimated \$48.6 million to fund MTS's fiscal year 2014 CIP.

Section 5337 is a new formula-based State of Good Repair program dedicated to repairing and upgrading the nation's rail transit systems along with high-intensity motor bus systems that use high-occupancy vehicle lanes, including bus rapid transit (BRT). Section 5337 includes funding previously provided through section 5309 Fixed Guideway Rail Modernization Formula Program. Projects are limited to replacement and rehabilitation or capital projects required to maintain public transportation systems in a state of good repair.

Section 5337 SGR funds are allocated on a formula basis to rail systems that have been in operation for at least seven years. For federal fiscal year 2013, the Section 5337 funds MTS allocation estimate is \$20.6 million and will be matched with local funds of \$5.2 million. The program will provide an estimated \$25.8 million to fund MTS's fiscal year 2014 CIP.

Section 5339 funding provides capital funding to replace, rehabilitate, and purchase buses and related equipment and to construct bus-related facilities. For federal fiscal year 2013, the Section 5339 funds MTS allocation estimate is \$3.4 million and will be matched with local funds of \$852,000. The program will provide an estimated \$4.2 million to fund MTS's fiscal year 2014 CIP.

The FTA funding is structured on a reimbursement basis (after expenses are incurred). Local funding (Transportation Development Act [TDA]/TransNet) is scheduled at the beginning of each fiscal year and received on a monthly basis. In many situations, local funds are received before expenses are incurred.

Local Match

The local match for CIP projects will come from the pooled transit finances for the MTS region. While it is likely that the actual funds used would be TDA funds, final decisions on the matching source would be made during the fiscal year 2014 CIP implementation process in order to maximize the availability and flexibility of funding.

Other Revenue

MTS receives State Transit Assistance (STA) funding from the Public Transportation Act, which derives its revenue from the state sales tax on diesel fuels. The estimated STA funding for fiscal year 2014 is \$22.2 million.

Additionally, MTS anticipates receiving its apportionment of \$2.8 million in Proposition 1B – Transit Security Grant Program (TSGP) for fiscal year 2014. This funding was authorized by the California Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, which was approved by the voters as Proposition 1B at the

November 7, 2006 general election. It authorized the issuance of general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects.

Prior to finalizing the recommendation, all previously budgeted capital projects were reviewed to identify certain projects that may have been delayed or completed under budget to be sure that deserving new projects do not go unfunded while prior-year capital programming remains tied up and unused. As a result of this review, MTS staff identified and transferred \$1.3 million to the fiscal year 2014 CIP.

Development of the MTS Fiscal Year 2014 CIP

The CIP process began in October 2012 with the call for projects. The recommended CIP assumes funding \$41.5 million for preventative maintenance, \$7.8 million for ADA preventative maintenance, \$889,000 in SANDAG planning studies, \$9 million as a shift to the operating budget. The remaining submitted projects compete for the balance of available funding. The list of projects is also subject to an analysis based on social-equity principles. This process assures that the benefits and burdens of transit investment are shared equitably throughout the MTS service area. A series of maps are used to detail the results of this analysis.

A meeting of the Capital Projects Review Committee (CPRC) was held to review the project list and to develop a CIP recommendation for fiscal year 2014. In accordance with the Capital Projects Selection Process, the CPRC is comprised of representatives from MTS Bus, MTS Rail, MTS Administration, Chula Vista Transit (CVT), and SANDAG. Each CPRC member was responsible for submitting the capital requests for its division, agency, or city. The CPRC reviewed and approved the prioritization of those capital requests.

The capital project list (Attachment B) represents the five-year, unconstrained need for the MTS operators. Each MTS agency submitted its capital project requests in priority order, and the lists were consolidated for review by the CPRC. The CPRC reviewed the projects in the context of their impact on operations and determined the most critical projects to fund this year. The remaining projects were deferred; however, it is recognized that the continued deferral of some projects could have negative impacts on system infrastructure in future years.

Of the \$62.6 million available after preventative maintenance and SANDAG planning studies, \$29.2 million (or 47 percent) has been dedicated to bus revenue vehicles, and \$14 million (or 23 percent) has been dedicated to rail infrastructure related projects. The table below is a summary of the CPRC recommendations, the major categories that are proposed to be funded, and the percentage of total available funding. A full listing of projects with respective funding levels is available within Attachment B.

Capital Project Categories	Funding (000s)	% of Total
Bus Revenue Vehicles	\$ 29,240	47%
Rail Infrastructure	14,096	23%
Major Facility & Construction Projects	7,773	12%
Information Technology	5,727	9%
LRV Components	3,719	6%
Other Equipment & Installations	1,645	3%
Miscellaneous Operating Capital	382	1%
Grand Total	\$ 62,582	

Five-Year Capital Program Projections

Attachment C summarizes a high-level look at the five-year capital program. The federal 5307 and 5337 funding levels are projected to increase by 1 percent for fiscal year 2014 and increase by 4 percent through 2018. Cumulative total capital needs for the five-year period exceed the available projected funding levels. Total project needs over the five-year term are projected to be \$427.8 million. Projected deficits from fiscal year 2014 to fiscal year 2018 total \$70.8 million. The ratio of total funding to total capital needs over the five-year term is projected at 83.5 percent.

A handwritten signature in blue ink that reads "Sharon Cooney for". The signature is written in a cursive, flowing style.

Paul C. Jablonski
Chief Executive Officer

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

- Attachments:
- A. Fiscal Year 2014 Funding Sources
 - B. Fiscal Year 2014 Capital Improvement Projects List
 - C. Funding Compared to Capital Needs for Fiscal Years 2014 - 2018

San Diego Metropolitan Transit System

FY 2014 Funding Sources (\$000s)

Funding Description	FY14
Federal FY13 - 5307 Funding Estimate	\$ 38,875
Federal FY13 - 5337 Funding Estimate	20,624
Federal FY13 - 5339 Funding Estimate	3,409
Transportation Development Act (TDA)	32,530
Proposition 1B - Security	2,779
California State Transit Assistance (STA)	22,228
Project Transfers	1,300
Total Available Funding	\$ 121,746
Preventive Maintenance - Federal 5307	\$ (12,576)
Preventive Maintenance - Federal 5337	(20,624)
Preventive Maintenance - FY14 TDA Match	(8,300)
ADA Preventive Maintenance - Federal 5307	(3,887)
ADA Preventive Maintenance - FY14 TDA Match	(3,887)
SANDAG Planning Study - Federal 5307	(711)
SANDAG Planning Study - FT14 TDA Match	(178)
Operations Usage - \$5.0M TDA; \$4.0M STA	(9,000)
Total Preventative Maintenance/SANDAG Planning	\$ (59,164)
Available Funding for FY 14 Capital Program	\$ 62,582

Project Description	Funding Thru FY 2013	FY 2014 Funded	FY 2014 Unfunded	FY 2015	FY 2016	FY 2017	FY 2018	Budget FY14 - FY18
<i>MTS Bus Replacement</i>	36,346	27,365	760	28,069	29,602	28,607	27,468	141,870
<i>Blue Line Rehab+A115</i>		10,000						10,000
<i>EC Facility Redevelopment</i>	45,007	5,000	5,000	-	-	-		10,000
<i>Mainline Drainage and Slope Improvements</i>	1,394	2,000		6,000	-	-		8,000
<i>RTMS Expansion</i>	3,235	1,950		950	-	-		2,900
<i>Paratransit Vehicles</i>	6,811	1,875		1,931	398	1,393	2,532	8,130
<i>LRV HVAC Overhaul</i>	1,985	1,564	1,000					2,564
<i>IAD Roof & HVAC Repairs</i>	209	1,313		-	-	-		1,313
<i>SD100 Traction Motor Overhaul</i>	660	1,135		1,135	1,135	1,135		4,540
<i>Enhance Infrastructure (Fiber Optic)</i>	200	1,069	-	2,000	2,000	2,000	2,000	9,069
<i>New IT System</i>	2,600	900		600	725	-		2,225
<i>Sub Station DC Breaker Replacement</i>		700		-	-	-	-	700
<i>Video Surveillance System for ADA Paratransit</i>	505	645		-	-	-		645
<i>Cisco VOIP phone system</i>		630						630
<i>Regional Scheduling System Upgrade</i>	1,000	600	400	-	-	-		1,000
<i>Video Surveillance System for New Buses</i>	731	525		-	-	-		525
<i>SD100 Buffer/ Coupler Overhaul</i>	980	520		500	-	-		1,020
<i>SD100 Inverters Overhaul</i>		500	500	500	-	-		1,500
<i>Orange Line Feeder Cable Replacement (Similar to 43rd St.)</i>		400		400	400	400	400	2,000
<i>Hyrail Bucket Trucks</i>		400		-	-	-	-	400
<i>Network Infrastructure</i>	890	350		250	250	250	250	1,350
<i>MVE/Orange Line Signal Print Verification</i>	500	350		-	-	-		350
<i>Building A- A/C and Heating Replacement</i>	265	300		-	-	-		300
<i>New Wheel Truing Machine/ Wheel scan</i>	2,850	300		-	-	-		300
<i>Misc. Capital with no Federal</i>	1,396	250		250	250	250	250	1,250
<i>Orange & Blue Line Bridge Rating</i>		250						250
<i>Substation SCADA Design</i>	2,846	200	-	-	-	-		200
<i>Emergency Power Backup Generator</i>	-	200						200
<i>OCS Standardization</i>	1,645	196	1,000	-	-	-		1,196
<i>Design for Second Elevator at Fashion Valley Station</i>		150		1,000	-	-	-	1,150
<i>CNG Dispenser Replacements</i>		150		-	-	-		150
<i>Roof Replacement on Building B and C</i>	200	150		-	-	-		150
<i>Orange Line Entry Monument Signs</i>		132		-	-	-		132
<i>TransitWatch Re-write</i>	75	125		-	-	-		125
<i>Emergency Operations Center</i>	-	100						100
<i>Three Ton Mini-Excavator and Trailer</i>		75		-	-	-	-	75
<i>Cyber Security Project</i>	100	75		-	-	-		75

Project Description	Funding Thru FY 2013	FY 2014 Funded	FY 2014 Unfunded	FY 2015	FY 2016	FY 2017	FY 2018	Budget FY14 - FY18
CPD Bus Wash Wall	-	40		-	-	-	-	40
SDTC Security Improvement	465	40		-	-	-		40
IAD Service Lanes Compressed Air System		30		-	-	-		30
RTMS Dispatch Radio Recording System Replacement	-	28		-	-	-	-	28
LRV Replacement - SD100			25,000	25,000	30,000	30,000	35,000	145,000
SD7 Truck Overhaul			3,600					3,600
LED Interior / Exterior Lighting Upgrade SD100			1,470	-	-	-		1,470
Switches 9 and 11 Crossover Replacement			1,200	-	-	-	-	1,200
Roof Replacement on Building C			1,200	-	-	-	-	1,200
SD100 Propulsion System Overhaul			1,000	500	-	-		1,500
System Grade Crossing Replacements			900	900	900	900	900	4,500
25th and Commercial Crossover Replacement			700	700	-	-	-	1,400
LRV Interior Rehabilitation			520					520
C4 & C5 Mezzanine			500					500
ADA AVL / MDT Equipment			425	-	-	-		425
Orange Line Grade Crossing Signal Upgrades (Design)			400	1,848	1,038	1,038	1,038	5,362
12 & C Street Corridor Track Work			300	300	-	-	-	600
Station Platform - Rio Vista Stability			250	1,000	-	-	-	1,250
Video Surveillance System for Minibus Fleet			225					225
IAD Asphalt Seal & Patch	-		200	-	-	-	-	200
KMD Storeroom Decking Replacement	-		200	-	-	-	-	200
S70 Brake Tooling			200	-	-	-		200
MTS Service Trucks	240		160	300	-	270		730
El Cajon Station Parking Lot Pavement Sealing and Striping			150	-	-	-	-	150
Sanding / Shop			150	-	-	-		150
12th & Imperial Bus Plaza Upgrades	-		142	722				863
Station ADA Ramps - Design			125	1,000	-	-	-	1,125
Replace Wiggins Forklift 10K Capacity			80	-	-	-		80
Tool Vending Machines			60					60
Replacement Parts Washers			25					25
Replacement Paint Booth Compressor			25					25
CNG Compressor Replacement			-	150	150	-		300
LRV Electronic Components	1,540		-	-	180	-		180
LRV Procurement	128,519				18,538	18,538		37,076
SD100 Traction Motor Disconnects	1,070			600	600	-		1,200
Project Totals	283,718	62,582	47,867	76,605	86,166	84,781	69,838	427,838

San Diego Metropolitan Transit System
Funding Compared to Capital Needs (\$000s)
Fiscal Years 2014-2018

	Proposed FY14	Projected FY15	Projected FY16	Projected FY17	Projected FY18	Total FY14 to FY18
Total Revenues						
Recurring Dedicated CIP Revenues	\$ 95,438	\$ 96,293	\$ 97,156	\$ 98,027	\$ 98,907	\$ 485,821
Other Non Recurring Revenues	26,308	25,452	44,443	44,906	26,840	167,950
Total Capital Revenues	121,746	121,745	141,599	142,933	125,747	653,770
Less: "Off the Top" Expenses						
SANDAG Planning Studies	\$ (889)	\$ (898)	\$ (907)	\$ (916)	\$ (925)	\$ (4,533)
ADA Preventative Maintenance	(7,775)	(7,853)	(7,931)	(8,011)	(8,091)	(39,660)
Preventative Maintenance	(41,500)	(41,500)	(41,500)	(41,500)	(41,500)	(207,500)
Total "Off The Top" Expenses	(50,164)	(50,250)	(50,338)	(50,426)	(50,515)	(251,693)
Less: Shifted to Operations						
TDA to Operations	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (25,000)
STA to Operations	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(20,000)
Total Shifted To Operations	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(45,000)
Adjusted Available CIP Revenues	\$ 62,582	\$ 62,495	\$ 82,261	\$ 83,507	\$ 66,232	\$ 357,077
Total Project Needs	110,449	76,605	86,166	84,781	69,838	427,838
Total Deficit	\$ (47,867)	\$ (14,110)	\$ (3,904)	\$ (1,274)	\$ (3,606)	\$ (70,761)
% of Funding / Needs	56.7%	81.6%	95.5%	98.5%	94.8%	83.5%
Accumulated Deficit	\$ (47,867)	\$ (61,977)	\$ (65,881)	\$ (67,155)	\$ (70,761)	



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Agenda Item No. 2b

MTS OPERATORS FINANCE WORKSHOP

March 21, 2013

SUBJECT:

FISCAL YEAR 2013 MIDYEAR OPERATING BUDGET ADJUSTMENT
(MIKE THOMPSON)

RECOMMENDATION:

That the Board of Directors approve Resolution No. 13-6 (Attachment A) amending the fiscal year 2013 operating budget for MTS, San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), MTS Contract Services, Chula Vista Transit, and the Coronado Ferry including using excess revenues over expenses of \$4.5 million to initiate a capital reserve for SD 100 light rail vehicle replacement.

Budget Impact

The action would amend the fiscal year operating 2013 budget.

DISCUSSION:

Combined MTS FY 2013 Midyear Adjustment

Revenues. Passenger fare revenues resulted in a \$365,000 favorable midyear adjustment primarily due to an increase in average fare per passenger the agency has experienced so far this fiscal year. Through December 2012, year-to-date ridership is down 4.8% compared to the original FY 2013 budget while average fares are up 6.7%.

Advertising revenues are projected to increase by approximately \$360,000. This revenue increase is attributed to a rebounding advertising market.

Other revenue is projected to increase by \$42,000. This is primarily due to higher-than-expected rental income on MTS-owned properties.

Nonoperating revenues resulted in a \$9,184,000 favorable midyear adjustment. This is primarily due to increased sales tax generated revenues, which impacts MTS's share of Transportation Development Act (TDA) and TransNet revenues. The original projection for fiscal year 2013 was for an increase of 4.5% over the projection for fiscal year 2012. Based on sales tax receipts, SANDAG has revised their projection to an increase of 5.5% over the actual for fiscal year 2012. As a result of these increasing revenues, MTS operations will receive additional TDA revenue of \$2,617,000 and additional TransNet revenue of \$828,000.



Other midyear adjustments include:

- \$5,000,000 in carryforward proceeds from fiscal year 2012 used to make the final payment on the Dexia variable pension debt as directed by the MTS Board of Directors. This final payment, made in December 2012, reduced the payoff period for this variable debt from six years to three years.
- \$201,000 in additional TransNet revenue from SANDAG to reimburse SuperLoop operating expenses;
- \$290,000 in additional TransNet revenue from SANDAG to reimburse I-15 Bus Rapid Transit operating expenses;
- All other adjustments totaled an increase of \$248,000.

In total, consolidated revenues resulted in a \$9,951,000 favorable midyear adjustment.

Expenses. Total consolidated operating expenses resulted in a \$5,444,000 unfavorable midyear adjustment.

Personnel-related expenses resulted in a \$4,054,000 unfavorable midyear adjustment. This includes the previously mentioned additional \$5,000,000 for the final payment on the Dexia variable pension debt. Net of this debt payment, personnel-related expenses decreased by over \$946,000. These adjustments include an increase in labor expenses of \$246,000 primarily due to overtime usage and a decrease in fringe expenses of \$1,192,000 primarily due to changes to budgetary assumptions for health and welfare (\$660,000) and a projected decrease in pension-related expenses (\$308,000).

Total outside services produced an unfavorable midyear adjustment of \$466,000. This is partially due to increased costs within purchased transportation (\$292,000) due to higher-than-expected demand for ADA Paratransit services as well as additional service for I-15 Bus Rapid Transit operations. There were also additional costs within security expenses (\$656,000) and other outside services (\$305,000), which were partially offset by costs savings in repair and maintenance services (-\$198,000) and engines and transmission expenses (-\$591,000).

Staff projects an unfavorable midyear adjustment of \$62,000 for materials and supplies expenses due to increases in tire costs and parts for revenue vehicles within operations.

A total unfavorable increase in energy for the 2013 fiscal year is \$1,138,000. This is primarily due to increased traction power costs caused by increased rates and higher usage than expected. The natural gas rate will also be increased at midyear partially offset by lower rates for diesel and gasoline. The amended rates are as follows:

	Original FY 13	Amended FY 13
CNG	\$0.72	\$0.75
Diesel	\$3.85	\$3.53
Gasoline	\$3.83	\$3.50
Electricity	\$0.149	\$0.154

Risk management produced a favorable midyear adjustment of \$213,000 due to decreased liability expenses within bus operations.

General and administrative costs produced an unfavorable midyear adjustment of \$178,000 primarily due to increased costs for credit card processing fees. As the utilization of Compass Cards has grown, MTS has experienced an increased usage of credit and debit cards.

Debt service produced a favorable midyear adjustment of \$277,000 primarily due to the lower-than-projected variable Dexia pension debt interest expense.

Vehicle/facility leases resulted in an unfavorable midyear adjustment of \$36,000.

Net income. In total, the increases to revenues and expenses produced a \$4.5 million favorable variance as detailed below.

(in 1,000s)	Original FY13	Amended FY13	\$ Change	% Change
Operating Revenues	\$ 98,973	\$ 99,740	\$ 767	0.8%
Non-operating Revenues	138,534	147,718	9,184	6.6%
Recurring Expenses	\$ 237,507	\$ 247,458	\$ 9,951	4.2%
Operating Expenses	243,921	249,365	5,444	2.2%
Net Operating Deficit	\$ (6,413)	\$ (1,906)	\$ 4,507	-70.3%
Non-recurring Revenues	6,413	6,413	-	0.0%
Net Income	\$ (0)	\$ 4,507	\$ 4,507	

Staff reviewed options to utilize this \$4.5 million favorable variance with the Budget Development Committee (BDC). Staff recommended—and the BDC forwards that recommendation—that the funding be used to create a capital reserve to begin planning for the replacement of the SD 100 light rail vehicles.

The FY 2013 amended budget is detailed in the following attachments:

- Attachment A-2 provides the total combined MTS-consolidated midyear budget adjustments.
- Attachment A-3 includes the total combined administrative proposed adjustments.
- Attachment A-4 provides the total combined other activities proposed adjustments.
- Attachment A-5 provides the combined operating budget adjustments.
- Attachments A-6 through A-12 provides supporting operating adjustments for each individual operator.
- Attachment A-13 provides the nonoperating funding sources by activity and type.


 Paul C. Jablonski
 Chief Executive Officer

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

Attachment: A. Resolution No. 13-6 (with attached Proposed Budget Amendments)

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 13-6

Resolution Approving Amendments to FY 2013 Budget

WHEREAS, the MTS Board of Directors adopted Resolution No. 12-10 on June 21, 2012, approving the FY 2013 budgets for MTS, San Diego Transit Corporation, San Diego Trolley, Inc., MTS Contract Services, Chula Vista Transit, and Coronado Ferry;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that the MTS Board of Directors approves changes to the fiscal year 2013 Operating Budget per the attached proposed Budget Amendments.

PASSED AND ADOPTED, by the MTS Board of Directors this _____ day of _____ 2013, by the following vote:

AYES:

NAYES:

ABSENT:

ABSTAINING:

Chairman
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

Attachments: Proposed Budget Amendments

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	<u>ACTUAL FY12</u>	<u>ORIGINAL BUDGET FY13</u>	<u>AMENDED BUDGET FY13</u>	<u>\$ CHANGE AMENDED/ ORIGINAL</u>	<u>% CHANGE AMENDED/ ORIGINAL</u>
OPERATING REVENUE					
PASSENGER REVENUE	90,764,526	93,662,436	94,027,678	365,243	0.4%
ADVERTISING REVENUE	784,204	540,000	900,000	360,000	66.7%
CONTRACT SERVICE REVENUE	186,728	-	-	-	-
OTHER INCOME	4,458,862	4,770,806	4,812,704	41,898	0.9%
TOTAL OPERATING REVENUES	96,194,320	98,973,242	99,740,382	767,141	0.8%
NON OPERATING REVENUE					
SUBSIDY REVENUE	130,866,837	138,026,450	142,026,248	3,999,798	2.9%
RESERVE REVENUE	7,546,136	(1,740,011)	3,342,498	5,082,509	-292.1%
OTHER INCOME	3,362,446	8,660,898	8,762,455	101,557	1.2%
TOTAL NON OPERATING REVENUE	141,775,420	144,947,337	154,131,201	9,183,864	6.3%
TOTAL COMBINED REVENUES	237,969,740	243,920,579	253,871,583	9,951,005	4.1%
OPERATING EXPENSES					
LABOR EXPENSES	63,949,111	67,107,874	67,353,860	245,986	0.4%
FRINGE EXPENSES	48,103,884	54,383,930	58,192,250	3,808,319	7.0%
TOTAL PERSONNEL EXPENSES	112,052,995	121,491,805	125,546,110	4,054,305	3.3%
SECURITY EXPENSES	5,906,435	6,117,081	6,773,504	656,423	10.7%
REPAIR/MAINTENANCE SERVICES	3,980,970	4,089,862	3,892,252	(197,609)	-4.8%
ENGINE AND TRANSMISSION REBUILD	1,350,938	1,697,412	1,106,687	(590,725)	-34.8%
OTHER OUTSIDE SERVICES	6,035,388	6,473,568	6,779,010	305,441	4.7%
PURCHASED TRANSPORTATION	54,549,050	56,195,010	56,487,146	292,136	0.5%
TOTAL OUTSIDE SERVICES	71,822,781	74,572,933	75,038,599	465,666	0.6%
LUBRICANTS	383,271	445,963	405,523	(40,440)	-9.1%
TIRES	791,780	824,141	897,086	72,945	8.9%
OTHER MATERIALS AND SUPPLIES	6,805,620	7,118,236	7,147,739	29,503	0.4%
TOTAL MATERIALS AND SUPPLIES	7,980,670	8,388,340	8,450,348	62,008	0.7%
DIESEL FUEL	7,143,683	7,811,656	7,644,268	(167,388)	-2.1%
CNG	6,904,516	6,045,105	6,497,901	452,796	7.5%
TRACTION POWER	6,220,841	5,530,750	6,500,000	969,250	17.5%
UTILITIES	3,132,978	3,071,236	2,954,271	(116,964)	-3.8%
TOTAL ENERGY	23,402,018	22,458,747	23,596,440	1,137,693	5.1%
RISK MANAGEMENT	3,657,043	4,046,365	3,833,463	(212,902)	-5.3%
GENERAL AND ADMINISTRATIVE	1,574,624	1,787,634	1,965,831	178,197	10.0%
DEBT SERVICE	10,127,054	10,035,998	9,759,269	(276,729)	-2.8%
VEHICLE / FACILITY LEASE	965,879	1,138,758	1,174,805	36,047	3.2%
TOTAL OPERATING EXPENSES	231,583,065	243,920,579	249,364,866	5,444,287	2.2%
NET OPERATING SUBSIDY	(135,388,744)	(144,947,337)	(149,624,483)	(4,677,146)	-3.2%
OVERHEAD ALLOCATION	(1)	0	-	(0)	-100.0%
ADJUSTED NET OPERATING SUBSIDY	(135,388,745)	(144,947,337)	(149,624,483)	(4,677,146)	-3.2%
TOTAL REVENUES LESS TOTAL EXPENSES	6,386,675	(0)	4,506,718	4,506,718	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONSOLIDATED ADMINISTRATION
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	-	-	-	-	-
ADVERTISING REVENUE	784,204	540,000	900,000	360,000	66.7%
CONTRACT SERVICE REVENUE	-	-	-	-	-
OTHER INCOME	2,932,904	3,088,826	3,197,704	108,878	3.5%
TOTAL OPERATING REVENUES	3,717,108	3,628,826	4,097,704	468,878	12.9%
NON OPERATING REVENUE					
SUBSIDY REVENUE	6,146,082	1,800,000	6,306,718	4,506,718	250.4%
RESERVE REVENUE	7,514,290	(1,800,000)	(1,800,000)	-	0.0%
OTHER INCOME	141,046	7,571,926	7,681,926	110,000	1.5%
TOTAL NON OPERATING REVENUE	13,801,418	7,571,926	12,188,644	4,616,718	61.0%
TOTAL COMBINED REVENUES	17,518,526	11,200,752	16,286,348	5,085,596	45.4%
OPERATING EXPENSES					
LABOR EXPENSES	9,514,939	10,199,556	10,062,490	(137,066)	-1.3%
FRINGE EXPENSES	5,211,480	5,123,622	5,963,431	839,809	16.4%
TOTAL PERSONNEL EXPENSES	14,726,419	15,323,179	16,025,921	702,742	4.6%
SECURITY EXPENSES	5,789,235	6,015,081	6,681,504	666,423	11.1%
REPAIR/MAINTENANCE SERVICES	70,344	57,333	58,664	1,331	2.3%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	3,682,438	3,925,738	4,299,720	373,982	9.5%
PURCHASED TRANSPORTATION	-	-	-	-	-
TOTAL OUTSIDE SERVICES	9,542,017	9,998,152	11,039,888	1,041,736	10.4%
LUBRICANTS	-	-	-	-	-
TIRES	6,641	10,000	8,000	(2,000)	-20.0%
OTHER MATERIALS AND SUPPLIES	6,345	11,725	11,415	(310)	-2.6%
TOTAL MATERIALS AND SUPPLIES	12,986	21,725	19,415	(2,310)	-10.6%
DIESEL FUEL	163,532	159,918	173,022	13,104	8.2%
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	472,679	470,394	475,800	5,406	1.1%
TOTAL ENERGY	636,211	630,312	648,822	18,510	2.9%
RISK MANAGEMENT	278,739	379,088	358,112	(20,977)	-5.5%
GENERAL AND ADMINISTRATIVE	1,347,288	1,424,729	1,548,137	123,409	8.7%
DEBT SERVICE	8,215,223	8,321,538	8,321,538	-	0.0%
VEHICLE/ FACILITY LEASE	194,757	215,434	261,481	46,047	21.4%
TOTAL OPERATING EXPENSES	34,953,641	36,314,156	38,223,314	1,909,157	5.3%
NET OPERATING SUBSIDY	(31,236,533)	(32,685,330)	(34,125,609)	(1,440,279)	-4.4%
OVERHEAD ALLOCATION	23,772,940	25,113,404	26,443,683	1,330,279	5.3%
ADJUSTED NET OPERATING SUBSIDY	(7,463,593)	(7,571,926)	(7,681,926)	(110,000)	-1.5%
TOTAL REVENUES LESS TOTAL EXPENSES	6,337,825	0	4,506,718	4,506,718	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONSOLIDATED OTHER ACTIVITIES
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	-	-	-	-	-
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-
OTHER INCOME	964,876	1,005,000	1,030,000	25,000	2.5%
TOTAL OPERATING REVENUES	964,876	1,005,000	1,030,000	25,000	2.5%
NON OPERATING REVENUE					
SUBSIDY REVENUE	-	-	-	-	-
RESERVE REVENUE	31,846	59,989	142,498	82,509	137.5%
OTHER INCOME	-	-	-	-	-
TOTAL NON OPERATING REVENUE	31,846	59,989	142,498	82,509	137.5%
TOTAL COMBINED REVENUES	996,722	1,064,989	1,172,498	107,509	10.1%
OPERATING EXPENSES					
LABOR EXPENSES	516,214	545,192	540,193	(4,999)	-0.9%
FRINGE EXPENSES	151,358	146,291	146,290	(1)	0.0%
TOTAL PERSONNEL EXPENSES	667,571	691,483	686,483	(5,000)	-0.7%
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	5,689	9,600	9,600	-	0.0%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	85,864	117,000	202,000	85,000	72.6%
PURCHASED TRANSPORTATION	-	-	-	-	-
TOTAL OUTSIDE SERVICES	91,553	126,600	211,600	85,000	67.1%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	10,141	5,000	26,700	21,700	434.0%
TOTAL MATERIALS AND SUPPLIES	10,141	5,000	26,700	21,700	434.0%
DIESEL FUEL	4,354	7,100	5,000	(2,100)	-29.6%
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	5,279	5,000	5,000	-	0.0%
TOTAL ENERGY	9,633	12,100	10,000	(2,100)	-17.4%
RISK MANAGEMENT	23,543	22,300	22,300	-	0.0%
GENERAL AND ADMINISTRATIVE	101,805	106,700	109,200	2,500	2.3%
DEBT SERVICE	-	-	-	-	-
VEHICLE/ FACILITY LEASE	-	-	-	-	-
TOTAL OPERATING EXPENSES	904,246	964,183	1,066,283	102,100	10.6%
NET OPERATING SUBSIDY	60,630	40,817	(36,283)	(77,100)	188.9%
OVERHEAD ALLOCATION	(92,476)	(100,807)	(106,215)	(5,409)	5.4%
ADJUSTED NET OPERATING SUBSIDY	(31,846)	(59,989)	(142,498)	(82,508)	-137.5%
TOTAL REVENUES LESS TOTAL EXPENSES	(0)	(0)	-	0	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONSOLIDATED OPERATIONS
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	90,764,526	93,662,436	94,027,678	365,243	0.4%
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	186,728	-	-	-	-
OTHER INCOME	561,082	676,980	585,000	(91,980)	-13.6%
TOTAL OPERATING REVENUES	91,512,337	94,339,416	94,612,678	273,263	0.3%
NON OPERATING REVENUE					
SUBSIDY REVENUE	124,720,755	136,226,450	135,719,530	(506,920)	-0.4%
RESERVE REVENUE	-	-	5,000,000	5,000,000	-
OTHER INCOME	3,221,401	1,088,972	1,080,529	(8,443)	-0.8%
TOTAL NON OPERATING REVENUE	127,942,155	137,315,422	141,800,059	4,484,637	3.3%
TOTAL COMBINED REVENUES	219,454,492	231,654,837	236,412,738	4,757,900	2.1%
OPERATING EXPENSES					
LABOR EXPENSES	53,917,958	56,363,126	56,751,178	388,052	0.7%
FRINGE EXPENSES	42,741,046	49,114,017	52,082,529	2,968,511	6.0%
TOTAL PERSONNEL EXPENSES	96,659,004	105,477,143	108,833,707	3,356,564	3.2%
SECURITY EXPENSES	117,199	102,000	92,000	(10,000)	-9.8%
REPAIR/MAINTENANCE SERVICES	3,904,938	4,022,929	3,823,988	(198,940)	-4.9%
ENGINE AND TRANSMISSION REBUILD	1,350,938	1,697,412	1,106,687	(590,725)	-34.8%
OTHER OUTSIDE SERVICES	2,267,086	2,430,831	2,277,290	(153,541)	-6.3%
PURCHASED TRANSPORTATION	54,549,050	56,195,010	56,487,146	292,136	0.5%
TOTAL OUTSIDE SERVICES	62,189,212	64,448,181	63,787,111	(661,070)	-1.0%
LUBRICANTS	383,271	445,963	405,523	(40,440)	-9.1%
TIRES	785,139	814,141	889,086	74,945	9.2%
OTHER MATERIALS AND SUPPLIES	6,789,133	7,101,511	7,109,624	8,113	0.1%
TOTAL MATERIALS AND SUPPLIES	7,957,543	8,361,615	8,404,233	42,618	0.5%
DIESEL FUEL	6,975,796	7,644,638	7,466,246	(178,392)	-2.3%
CNG	6,904,516	6,045,105	6,497,901	452,796	7.5%
TRACTION POWER	6,220,841	5,530,750	6,500,000	969,250	17.5%
UTILITIES	2,655,021	2,595,842	2,473,471	(122,370)	-4.7%
TOTAL ENERGY	22,756,174	21,816,335	22,937,618	1,121,283	5.1%
RISK MANAGEMENT	3,354,761	3,644,976	3,453,051	(191,925)	-5.3%
GENERAL AND ADMINISTRATIVE	125,531	256,205	308,494	52,289	20.4%
DEBT SERVICE	1,911,831	1,714,460	1,437,731	(276,729)	-16.1%
VEHICLE/ FACILITY LEASE	771,122	923,324	913,324	(10,000)	-1.1%
TOTAL OPERATING EXPENSES	195,725,178	206,642,240	210,075,269	3,433,030	1.7%
NET OPERATING SUBSIDY	(104,212,841)	(112,302,824)	(115,462,591)	(3,159,767)	-2.8%
OVERHEAD ALLOCATION	(23,680,465)	(25,012,598)	(26,337,468)	(1,324,870)	5.3%
ADJUSTED NET OPERATING SUBSIDY	(127,893,306)	(137,315,422)	(141,800,059)	(4,484,637)	-3.3%
TOTAL REVENUES LESS TOTAL EXPENSES	48,850	(0)	(0)	0	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
SAN DIEGO TRANSIT CORPORATION
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	27,497,861	28,403,719	28,707,697	303,977	1.1%
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	186,388	-	-	-	-
OTHER INCOME	9,190	10,000	10,000	-	0.0%
TOTAL OPERATING REVENUES	27,693,439	28,413,719	28,717,697	303,977	1.1%
NON OPERATING REVENUE					
SUBSIDY REVENUE	59,662,329	69,187,765	66,593,222	(2,594,543)	-3.8%
RESERVE REVENUE	-	-	5,000,000	5,000,000	-
OTHER INCOME	2,963,673	789,426	789,426	-	0.0%
TOTAL NON OPERATING REVENUE	62,626,002	69,977,191	72,382,648	2,405,457	3.4%
TOTAL COMBINED REVENUES	90,319,441	98,390,910	101,100,345	2,709,434	2.8%
OPERATING EXPENSES					
LABOR EXPENSES	30,815,035	32,854,033	32,379,516	(474,517)	-1.4%
FRINGE EXPENSES	34,408,676	39,858,172	43,780,623	3,922,450	9.8%
TOTAL PERSONNEL EXPENSES	65,223,711	72,712,205	76,160,138	3,447,934	4.7%
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	712,336	829,716	768,736	(60,980)	-7.3%
ENGINE AND TRANSMISSION REBUILD	678,256	909,412	569,687	(339,725)	-37.4%
OTHER OUTSIDE SERVICES	464,061	530,086	435,705	(94,381)	-17.8%
PURCHASED TRANSPORTATION	34,350	-	-	-	-
TOTAL OUTSIDE SERVICES	1,889,004	2,269,214	1,774,129	(495,085)	-21.8%
LUBRICANTS	190,827	220,608	180,168	(40,440)	-18.3%
TIRES	783,688	811,141	889,086	77,945	9.6%
OTHER MATERIALS AND SUPPLIES	3,567,271	3,718,727	3,547,722	(171,005)	-4.6%
TOTAL MATERIALS AND SUPPLIES	4,541,786	4,750,476	4,616,976	(133,500)	-2.8%
DIESEL FUEL	1,164,616	1,320,443	1,289,471	(30,972)	-2.3%
CNG	3,975,873	3,381,273	3,491,301	110,028	3.3%
TRACTION POWER	-	-	-	-	-
UTILITIES	565,941	609,000	485,000	(124,000)	-20.4%
TOTAL ENERGY	5,706,430	5,310,716	5,265,771	(44,944)	-0.8%
RISK MANAGEMENT	1,982,876	1,798,810	1,604,634	(194,176)	-10.8%
GENERAL AND ADMINISTRATIVE	137,373	146,143	149,732	3,589	2.5%
DEBT SERVICE	1,911,831	1,714,460	1,437,731	(276,729)	-16.1%
VEHICLE/ FACILITY LEASE	238,866	285,255	287,731	2,476	0.9%
TOTAL OPERATING EXPENSES	81,631,876	88,987,279	91,296,843	2,309,564	2.6%
NET OPERATING SUBSIDY	(53,938,437)	(60,573,560)	(62,579,146)	(2,005,586)	-3.3%
OVERHEAD ALLOCATION	(8,687,568)	(9,403,630)	(9,803,502)	(399,872)	4.3%
ADJUSTED NET OPERATING SUBSIDY	(62,626,005)	(69,977,190)	(72,382,648)	(2,405,458)	-3.4%
TOTAL REVENUES LESS TOTAL EXPENSES	(3)	1	-	(1)	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
SAN DIEGO TROLLEY INCORPORATED
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	35,216,068	35,878,421	36,294,351	415,931	1.2%
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	340	-	-	-	-
OTHER INCOME	551,893	666,980	575,000	(91,980)	-13.8%
TOTAL OPERATING REVENUES	35,768,301	36,545,401	36,869,351	323,951	0.9%
NON OPERATING REVENUE					
SUBSIDY REVENUE	25,772,158	26,780,057	28,135,205	1,355,148	5.1%
RESERVE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL NON OPERATING REVENUE	25,772,158	26,780,057	28,135,205	1,355,148	5.1%
TOTAL COMBINED REVENUES	61,540,459	63,325,458	65,004,556	1,679,099	2.7%
OPERATING EXPENSES					
LABOR EXPENSES	22,309,238	22,663,071	23,539,982	876,911	3.9%
FRINGE EXPENSES	8,061,653	8,983,573	8,031,392	(952,181)	-10.6%
TOTAL PERSONNEL EXPENSES	30,370,891	31,646,644	31,571,374	(75,270)	-0.2%
SECURITY EXPENSES	117,199	102,000	92,000	(10,000)	-9.8%
REPAIR/MAINTENANCE SERVICES	3,042,531	3,028,345	2,738,448	(289,897)	-9.6%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	761,066	734,093	668,578	(65,515)	-8.9%
PURCHASED TRANSPORTATION	-	-	-	-	-
TOTAL OUTSIDE SERVICES	3,920,796	3,864,438	3,499,026	(365,412)	-9.5%
LUBRICANTS	192,444	225,355	225,355	-	0.0%
TIRES	1,450	3,000	-	(3,000)	-100.0%
OTHER MATERIALS AND SUPPLIES	3,211,204	3,371,784	3,553,064	181,280	5.4%
TOTAL MATERIALS AND SUPPLIES	3,405,098	3,600,139	3,778,419	178,280	5.0%
DIESEL FUEL	431,592	471,363	464,370	(6,993)	-1.5%
CNG	-	-	-	-	-
TRACTION POWER	6,220,841	5,530,750	6,500,000	969,250	17.5%
UTILITIES	2,010,565	1,891,234	1,893,576	2,342	0.1%
TOTAL ENERGY	8,662,998	7,893,347	8,857,946	964,599	12.2%
RISK MANAGEMENT	1,350,487	1,820,866	1,823,117	2,251	0.1%
GENERAL AND ADMINISTRATIVE	49,785	87,920	144,030	56,110	63.8%
DEBT SERVICE	-	-	-	-	-
VEHICLE / FACILITY LEASE	238,881	339,650	326,516	(13,134)	-3.9%
TOTAL OPERATING EXPENSES	47,998,937	49,253,003	50,000,427	747,424	1.5%
NET OPERATING SUBSIDY	(12,230,636)	(12,707,602)	(13,131,076)	(423,474)	-3.3%
OVERHEAD ALLOCATION	(13,541,621)	(14,072,455)	(15,004,129)	(931,674)	6.6%
ADJUSTED NET OPERATING SUBSIDY	(25,772,256)	(26,780,057)	(28,135,205)	(1,355,147)	-5.1%
TOTAL REVENUES LESS TOTAL EXPENSES	(98)	(0)	0	1	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONTRACTED BUS OPERATIONS - FIXED ROUTE
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	23,689,188	24,414,436	24,277,253	(137,183)	-0.6%
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL OPERATING REVENUES	23,689,188	24,414,436	24,277,253	(137,183)	-0.6%
NON OPERATING REVENUE					
SUBSIDY REVENUE	23,871,153	24,192,301	24,077,885	(114,416)	-0.5%
RESERVE REVENUE	-	-	-	-	-
OTHER INCOME	182,576	210,030	210,030	-	0.0%
TOTAL NON OPERATING REVENUE	24,053,729	24,402,331	24,287,915	(114,416)	-0.5%
TOTAL COMBINED REVENUES	47,742,917	48,816,767	48,565,168	(251,599)	-0.5%
OPERATING EXPENSES					
LABOR EXPENSES	412,684	439,503	439,524	21	0.0%
FRINGE EXPENSES	-	-	-	-	-
TOTAL PERSONNEL EXPENSES	412,684	439,503	439,524	21	0.0%
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	71,551	84,668	203,324	118,656	140.1%
ENGINE AND TRANSMISSION REBUILD	559,477	700,000	477,000	(223,000)	-31.9%
OTHER OUTSIDE SERVICES	416,317	533,261	485,189	(48,072)	-9.0%
PURCHASED TRANSPORTATION	39,172,202	40,141,918	39,923,077	(218,841)	-0.5%
TOTAL OUTSIDE SERVICES	40,219,546	41,459,847	41,088,590	(371,257)	-0.9%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	7,901	4,800	2,639	(2,161)	-45.0%
TOTAL MATERIALS AND SUPPLIES	7,901	4,800	2,639	(2,161)	-45.0%
DIESEL FUEL	3,124,372	3,580,471	3,289,308	(291,163)	-8.1%
CNG	2,971,147	2,246,465	2,683,032	436,567	19.4%
TRACTION POWER	-	-	-	-	-
UTILITIES	3,602	3,688	3,218	(470)	-12.7%
TOTAL ENERGY	6,099,121	5,830,624	5,975,558	144,933	2.5%
RISK MANAGEMENT	-	-	-	-	-
GENERAL AND ADMINISTRATIVE	1,323	4,045	1,364	(2,681)	-66.3%
DEBT SERVICE	-	-	-	-	-
VEHICLE / FACILITY LEASE	15,252	18,419	19,077	658	3.6%
TOTAL OPERATING EXPENSES	46,755,827	47,757,239	47,526,752	(230,487)	-0.5%
NET OPERATING SUBSIDY	(23,066,639)	(23,342,803)	(23,249,499)	93,304	0.4%
OVERHEAD ALLOCATION	(987,090)	(1,059,529)	(1,038,416)	21,113	-2.0%
ADJUSTED NET OPERATING SUBSIDY	(24,053,729)	(24,402,332)	(24,287,915)	114,417	0.5%
TOTAL REVENUES LESS TOTAL EXPENSES	(0)	(1)	(0)	1	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CONTRACTED BUS OPERATIONS - PARATRANSIT
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	1,690,932	1,985,095	2,068,156	83,061	4.2%
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL OPERATING REVENUES	1,690,932	1,985,095	2,068,156	83,061	4.2%
NON OPERATING REVENUE					
SUBSIDY REVENUE	11,645,339	12,037,947	12,664,685	626,737	5.2%
RESERVE REVENUE	-	-	-	-	-
OTHER INCOME	75,152	89,516	81,073	(8,443)	-9.4%
TOTAL NON OPERATING REVENUE	11,720,491	12,127,463	12,745,758	618,294	5.1%
TOTAL COMBINED REVENUES	13,411,423	14,112,559	14,813,914	701,356	5.0%
OPERATING EXPENSES					
LABOR EXPENSES	129,381	149,336	139,857	(9,479)	-6.3%
FRINGE EXPENSES	-	-	-	-	-
TOTAL PERSONNEL EXPENSES	129,381	149,336	139,857	(9,479)	-6.3%
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	-	-	-	-	-
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	321,012	308,847	363,515	54,668	17.7%
PURCHASED TRANSPORTATION	10,065,911	10,728,891	11,221,473	492,582	4.6%
TOTAL OUTSIDE SERVICES	10,386,923	11,037,738	11,584,988	547,249	5.0%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	-	-	-	-	-
TOTAL MATERIALS AND SUPPLIES	-	-	-	-	-
DIESEL FUEL	2,249,573	2,266,002	2,417,314	151,312	6.7%
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	884	960	960	-	0.0%
TOTAL ENERGY	2,250,457	2,266,962	2,418,274	151,312	6.7%
RISK MANAGEMENT	15,300	15,300	15,300	-	0.0%
GENERAL AND ADMINISTRATIVE	2,662	9,162	5,788	(3,374)	-36.8%
DEBT SERVICE	-	-	-	-	-
VEHICLE/ FACILITY LEASE	278,123	280,000	280,000	-	0.0%
TOTAL OPERATING EXPENSES	13,062,846	13,758,498	14,444,207	685,709	5.0%
NET OPERATING SUBSIDY	(11,371,914)	(11,773,403)	(12,376,051)	(602,648)	-5.1%
OVERHEAD ALLOCATION	(348,577)	(354,061)	(369,708)	(15,647)	4.4%
ADJUSTED NET OPERATING SUBSIDY	(11,720,491)	(12,127,464)	(12,745,758)	(618,295)	-5.1%
TOTAL REVENUES LESS TOTAL EXPENSES	(0)	(0)	(0)	(0)	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CHULA VISTA TRANSIT
OPERATING BUDGET - CONSOLIDATED**

FISCAL YEAR 2013

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	2,670,477	2,980,764	2,680,221	(300,543)	-10.1%
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL OPERATING REVENUES	2,670,477	2,980,764	2,680,221	(300,543)	-10.1%
NON OPERATING REVENUE					
SUBSIDY REVENUE	3,264,684	3,516,250	3,730,646	214,395	6.1%
RESERVE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL NON OPERATING REVENUE	3,264,684	3,516,250	3,730,646	214,395	6.1%
TOTAL COMBINED REVENUES	5,935,161	6,497,014	6,410,867	(86,148)	-1.3%
OPERATING EXPENSES					
LABOR EXPENSES	251,620	257,184	252,300	(4,884)	-1.9%
FRINGE EXPENSES	82,038	83,592	81,834	(1,758)	-2.1%
TOTAL PERSONNEL EXPENSES	333,657	340,776	334,133	(6,642)	-1.9%
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	78,520	80,200	113,480	33,280	41.5%
ENGINE AND TRANSMISSION REBUILD	113,205	88,000	60,000	(28,000)	-31.8%
OTHER OUTSIDE SERVICES	150,914	169,044	168,803	(241)	-0.1%
PURCHASED TRANSPORTATION	5,115,676	5,156,251	5,168,888	12,637	0.2%
TOTAL OUTSIDE SERVICES	5,458,315	5,493,495	5,511,171	17,676	0.3%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	2,757	6,200	6,200	(0)	0.0%
TOTAL MATERIALS AND SUPPLIES	2,757	6,200	6,200	(0)	0.0%
DIESEL FUEL	5,643	6,360	5,784	(576)	-9.1%
CNG	(42,503)	417,367	323,568	(93,799)	-22.5%
TRACTION POWER	-	-	-	-	-
UTILITIES	74,028	90,960	90,717	(242)	-0.3%
TOTAL ENERGY	37,169	514,687	420,069	(94,618)	-18.4%
RISK MANAGEMENT	6,098	10,000	10,000	-	0.0%
GENERAL AND ADMINISTRATIVE	(65,611)	8,935	7,580	(1,355)	-15.2%
DEBT SERVICE	-	-	-	-	-
VEHICLE/ FACILITY LEASE	-	-	-	-	-
TOTAL OPERATING EXPENSES	5,772,385	6,374,092	6,289,153	(84,939)	-1.3%
NET OPERATING SUBSIDY	(3,101,909)	(3,393,328)	(3,608,932)	(215,604)	-6.4%
OVERHEAD ALLOCATION	(115,609)	(122,923)	(121,714)	1,209	-1.0%
ADJUSTED NET OPERATING SUBSIDY	(3,217,518)	(3,516,250)	(3,730,646)	(214,395)	-6.1%
TOTAL REVENUES LESS TOTAL EXPENSES	47,166	(0)	0	0	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
CORONADO FERRY
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	-	-	-	-	-
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL OPERATING REVENUES	-	-	-	-	-
NON OPERATING REVENUE					
SUBSIDY REVENUE	160,911	167,949	173,708	5,758	3.4%
RESERVE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL NON OPERATING REVENUE	160,911	167,949	173,708	5,758	3.4%
TOTAL COMBINED REVENUES	160,911	167,949	173,708	5,758	3.4%
OPERATING EXPENSES					
LABOR EXPENSES	-	-	-	-	-
FRINGE EXPENSES	-	-	-	-	-
TOTAL PERSONNEL EXPENSES	-	-	-	-	-
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	-	-	-	-	-
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	-	-	-	-	-
PURCHASED TRANSPORTATION	160,911	167,949	173,708	5,758	3.4%
TOTAL OUTSIDE SERVICES	160,911	167,949	173,708	5,758	3.4%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	-	-	-	-	-
TOTAL MATERIALS AND SUPPLIES	-	-	-	-	-
DIESEL FUEL	-	-	-	-	-
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	-	-	-	-	-
TOTAL ENERGY	-	-	-	-	-
RISK MANAGEMENT	-	-	-	-	-
GENERAL AND ADMINISTRATIVE	-	-	-	-	-
DEBT SERVICE	-	-	-	-	-
VEHICLE/ FACILITY LEASE	-	-	-	-	-
TOTAL OPERATING EXPENSES	160,911	167,949	173,708	5,758	3.4%
NET OPERATING SUBSIDY	(160,911)	(167,949)	(173,708)	(5,758)	-3.4%
OVERHEAD ALLOCATION	-	-	-	-	-
ADJUSTED NET OPERATING SUBSIDY	(160,911)	(167,949)	(173,708)	(5,758)	-3.4%
TOTAL REVENUES LESS TOTAL EXPENSES	-	-	-	-	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATIVE PASS THROUGH
OPERATING BUDGET - CONSOLIDATED
FISCAL YEAR 2013**

	ACTUAL FY12	ORIGINAL BUDGET FY13	AMENDED BUDGET FY13	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	-	-	-	-	-
ADVERTISING REVENUE	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL OPERATING REVENUES	-	-	-	-	-
NON OPERATING REVENUE					
SUBSIDY REVENUE	344,180	344,180	344,180	-	0.0%
RESERVE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL NON OPERATING REVENUE	344,180	344,180	344,180	-	0.0%
TOTAL COMBINED REVENUES	344,180	344,180	344,180	-	0.0%
OPERATING EXPENSES					
LABOR EXPENSES	-	-	-	-	-
FRINGE EXPENSES	188,680	188,680	188,680	-	0.0%
TOTAL PERSONNEL EXPENSES	188,680	188,680	188,680	-	0.0%
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	-	-	-	-	-
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	153,716	155,500	155,500	-	0.0%
PURCHASED TRANSPORTATION	-	-	-	-	-
TOTAL OUTSIDE SERVICES	153,716	155,500	155,500	-	0.0%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	-	-	-	-	-
TOTAL MATERIALS AND SUPPLIES	-	-	-	-	-
DIESEL FUEL	-	-	-	-	-
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	-	-	-	-	-
TOTAL ENERGY	-	-	-	-	-
RISK MANAGEMENT	-	-	-	-	-
GENERAL AND ADMINISTRATIVE	-	-	-	-	-
DEBT SERVICE	-	-	-	-	-
VEHICLE/ FACILITY LEASE	-	-	-	-	-
TOTAL OPERATING EXPENSES	342,396	344,180	344,180	-	0.0%
NET OPERATING SUBSIDY	(342,396)	(344,180)	(344,180)	-	0.0%
OVERHEAD ALLOCATION	-	-	-	-	-
ADJUSTED NET OPERATING SUBSIDY	(342,396)	(344,180)	(344,180)	-	0.0%
TOTAL REVENUES LESS TOTAL EXPENSES	1,784	-	-	-	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
NON OPERATING FUNDING SOURCES BY ACTIVITY
FISCAL YEAR 2013**

	Federal	TDA	STA	State - Other	TransNet	Other Local	Other Non Operating	Reserves/ Carryovers	Total
SDTC	18,291,001	25,946,519	3,223,765	-	18,853,937	1,067,426	-	5,000,000	72,382,648
SDTI	16,000,000	7,135,205	-	-	5,000,000	-	-	-	28,135,205
MCS 801 - South Central	1,473,063	11,766,672	-	-	-	-	-	-	13,239,735
MCS 802 - JARC Otay	296,163	296,163	-	-	-	-	-	-	592,326
MCS 803 - JARC Mid City	156,058	156,058	-	-	-	-	-	-	312,117
MCS 820 - East County	-	5,503,834	-	-	-	-	-	-	5,503,834
MCS 830 - Commuter Express	-	262,780	-	-	150,000	1,210,030	-	-	1,622,810
MCS 831 - Murphy Canyon	-	-	-	-	-	-	-	-	-
MCS 835 - Central Routes 961-965	-	2,129,642	-	-	-	-	-	-	2,129,642
MCS 840 - Regional Transit Center	-	-	-	-	-	-	-	-	-
Maintenance	-	160,763	-	-	140,000	-	-	-	300,763
MCS 850 - ADA Access	4,977,632	5,120,773	-	1,320,000	709,697	181,102	-	-	12,309,204
MCS 856 - ADA Certification	-	274,408	-	-	-	-	-	-	274,408
MCS 875 - Coaster Connection	-	81,073	-	-	-	81,073	-	-	162,146
MCS 880 - Rural	434,837	151,850	-	-	-	-	-	-	586,687
Chula Vista Transit	-	3,730,646	-	-	-	-	-	-	3,730,646
Coronado Ferry	-	173,708	-	-	-	-	-	-	173,708
Administrative Pass Thru	-	344,180	-	-	-	-	-	-	344,180
Subtotal Operations	41,628,754	63,234,275	3,223,765	1,320,000	24,853,634	2,539,631	-	5,000,000	141,800,059
Taxicab	-	-	-	-	-	-	-	170,000	170,000
SD&AE	-	-	-	-	-	-	-	(27,502)	(27,502)
Subtotal Other Activities	-	-	-	-	-	-	-	142,498	142,498
Administrative	110,000	4,506,718	1,800,000	-	-	-	7,571,926	(1,800,000)	12,188,644
Grand Total	41,738,754	67,740,993	5,023,765	1,320,000	24,853,634	2,539,631	7,571,926	3,342,498	154,131,201
Add: Nonrecurring Transnet Revenue	-	-	-	-	-	-	-	-	-
Add: Transnet Revenue to FY08 CIP	-	-	-	-	-	-	-	-	-
Adjusted Grand Total	41,738,754	67,740,993	5,023,765	1,320,000	24,853,634	2,539,631	7,571,926	3,342,498	154,131,201
Per Revenue spreadsheet	41,738,754	67,740,993	5,023,765	1,320,000	24,853,634	2,539,631	7,571,926	3,342,498	154,131,201
Add: Nonrecurring Transnet Revenue not in fy08 Rev Spread	0	0	0	0	0	0	0	0	0
Adjusted Total	41,738,754	67,740,993	5,023,765	1,320,000	24,853,634	2,539,631	7,571,926	3,342,498	154,131,201
Difference	0	0	0	0	0	0	0	0	0



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Agenda Item No. 2C

MTS OPERATORS FINANCE WORKSHOP

March 21, 2013

SUBJECT:

PRELIMINARY PROJECTIONS FOR FISCAL YEAR 2014 OPERATING BUDGET
(MIKE THOMPSON)

RECOMMENDATION:

That the Board receive a report regarding the preliminary projection for the fiscal year 2014 operating budget.

Budget Impact

None at this time.

DISCUSSION:

Staff will present a preliminary forecast for the upcoming fiscal year 2014 operating budget, including preliminary sales tax-related income projections and high-level expense assumptions.

Time Line/Calendar of Budgetary Process

Attachment A provides a recommended budgetary process time line.

 for

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Calendar of Budgetary Process



SAN DIEGO METROPOLITAN TRANSIT SYSTEM FY 2014 BOARD MEETING CALENDAR

DATE	Meeting	Review Points
3/6/2013	Budget Development Committee	FY13 Midyear Amendment, FY14 CIP, Preliminary FY14 Forecast
3/21/2013	Finance Workshop	FY13 Midyear Amendment, FY14 CIP, Preliminary FY14 Forecast
Week of 4/1/2013	Budget Development Committee	FY 2014 Draft Budget: Revenues, Expenses, Policy Issues, Operational Issues, Budget Closure
4/18/2013	Finance Workshop	FY 2014 Draft Budget: Revenues, Expenses, Policy Issues, Operational Issues, Budget Closure
5/16/2013	Public Hearing	Public Hearing, Board Adoption

FINANCE WORKSHOP
 Att. A, AI 2c, 3/21/13



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Agenda Item No. 6

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

CALIFORNIA EMERGENCY MANAGEMENT AGENCY (CAL EMA) CALIFORNIA
TRANSIT SECURITY GRANT PROGRAM (CTSGP) FUNDING –
FISCAL YEAR 2012-2013

RECOMMENDATION:

That the Board of Directors approve Resolution No. 13-5 (Attachment A) authorizing the use of and application for California Transit Security Grant Program (CTSGP) funding for capital projects that provide increased protection against security and safety threats and/or increases the capacity of transit operators to prepare for and provide disaster-response transportation systems.

Budget Impact

The apportionment of FY 12-13 CTSGP funding is in the amount of \$2,779,445. There is no match requirement under the current grant guidance. The funds are restricted expenditures for capital projects that increase the security and safety of the transit operator's passengers, employees and staff, and physical assets.

DISCUSSION:

California Emergency Management Agency (Cal EMA) requires the submission of a resolution by agency Boards of Directors authorizing the submission of a grant application and project programming. Resolution No. 13-5 would authorize the Chief Executive Officer (or named designee) to file applications with and request reimbursements from Cal EMA and would satisfy requirements of the fiscal year 2012-2013 CTSGP security funding to provide a Board of Directors resolution to obtain CTSGP funding.

MTS's allocation of \$2,779,445 will be used for the following projects:

- Enhanced Infrastructure (Fiber-Optic)
- Cyber Security Project
- TransitWatch Rewrite or Replacement
- SDTC Security Improvement
- Video Surveillance System for ADA Paratransit
- Video Surveillance System for New Buses
- Emergency Operations Center
- Emergency Power Backup Generator

Sharon Cooney for

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Resolution No. 13-5

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Resolution No. 13-5

**Resolution Approving the Submittal of Applications and Requests for Reimbursements
for Fiscal Year 2012-2013 Transit System Safety, Security, and Disaster Response Account
Under the California Transit Security Grant Program (CTSGP)**

WHEREAS, the San Diego Metropolitan Transit System (MTS) is a public entity established under the laws of the State of California for the purpose of providing transportation services in the County of San Diego that desires to apply for and obtain funding for transit-security purposes; and

WHEREAS, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 authorizes the issuance of general obligation bonds for specified purposes, including, but not limited to, funding made available for capital projects that provide increased protection against security and safety threats and for capital expenditures to increase the capacity of transit operators to develop disaster-response transportation systems; and

WHEREAS, the California Emergency Management Agency (Cal EMA) administers such funds deposited in the Transit System Safety, Security, and Disaster Response Account under the California Transit Security Grant Program (CTSGP); and

WHEREAS, MTS is eligible to receive CTSGP funds; and

WHEREAS, Cal EMA requires MTS to complete and submit a Governing Body Resolution for the purposes of identifying agent(s) authorized to act on behalf of MTS to execute actions necessary to obtain CTSGP funds from Cal EMA and ensure continued compliance with Cal EMA CTSGP assurances and state and federal laws.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that MTS does hereby authorize the Chief Executive Officer, or designated representative, to file and execute any actions necessary on behalf of MTS with the California Emergency Management Agency to aid in the financing of operating or capital assistance projects pursuant to the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, which authorizes the issuance of general-obligation bonds for specified purposes, including grants for transit system safety, security, and disaster-response projects; that the designated representatives are:

1. The Chief of Staff is authorized to file and execute any actions necessary on behalf of MTS with the California Department of Transportation to aid in the financing of operating or capital-assistance projects pursuant to CTSGP funding.
2. The General Counsel is authorized to file and execute any actions necessary on behalf of MTS with the California Department of Transportation to aid in the financing of operating or capital-assistance projects pursuant to CTSGP funding.
3. The Chief Financial Officer is authorized to provide additional information as the California Department of Transportation may require in connection with the application for CTSGP projects.

PASSED AND ADOPTED, by the Board of Directors this _____ day of _____,
by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System



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Agenda Item No. 7

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS) PROGRAM OF
PROJECTS FOR FEDERAL TRANSIT ADMINISTRATION (FTA) SECTION 5311(f)
FUNDING - FISCAL YEAR 2013

RECOMMENDATION:

That the Board of Directors approve Resolution No. 13-4 (Attachment A) authorizing the use of and application for FTA Section 5311(f) funds for operating assistance in nonurbanized areas.

Budget Impact

If awarded, MTS will receive FY 2013 5311(f) funds in the amount of \$202,773 based on the maximum percent federal share 55.33% of eligible expenditures. MTS will be required to provide nonfederal matching funds in the amount of \$163,707.

DISCUSSION:

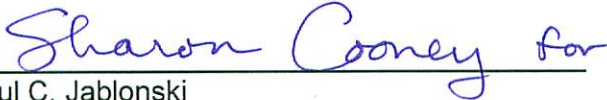
Caltrans requires the submission of a resolution by agency Boards of Directors authorizing the submission of a grant application and project programming. Caltrans requires that the San Diego Association of Governments (SANDAG) certify that it will amend the Regional Transportation Improvement Program in the event of a grant award.

Caltrans administers a statewide competitive-grant program wherein transit agencies and nonprofit organizations are eligible to apply for up to \$300,000 in financial assistance for operations serving areas outside of the federally defined urban boundary.

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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

Eligible projects can include existing operations, new services, or service expansion. However, projects must be consistent with the state-adopted objectives and meet federal certifications and assurance guidelines. MTS already meets the federal guidelines as an eligible recipient of other federal funds.



Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Resolution No. 13-4

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Resolution No. 13-4

Resolution Authorizing Federal Funding Under FTA Section 5311(f)
with the California Department of Transportation

WHEREAS, the U.S. Department of Transportation is authorized to make grants to states through the Federal Transit Administration (FTA) to support capital and operating-assistance projects for nonurbanized public transit services under Section 5311(f) of the Federal Transit Act; and

WHEREAS, the California Department of Transportation has been designated by the Governor of the State of California to administer Section 5311(f) grants for public transportation projects; and

WHEREAS, MTS desires to apply for said financial assistance to operate rural transit service in San Diego County; and

WHEREAS, MTS has, to the maximum extent feasible, coordinated and consulted with other transportation providers and users in the region, including consultation with San Diego County Health and Human Services;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that MTS does hereby authorize the Chief Executive Officer, or designated representative, to file and execute any actions necessary on behalf of MTS with the California Department of Transportation to aid in the financing of operating or capital assistance projects pursuant to Section 5311(f) of the Federal Transit Act of 1964, as amended; that the designated representatives are:

1. The Chief of Staff is authorized to file and execute any actions necessary on behalf of MTS with the California Department of Transportation to aid in the financing of operating or capital assistance projects pursuant to Section 5311(f) of the Federal Transit Act of 1964, as amended.
2. The General Counsel is authorized to file and execute any actions necessary on behalf of MTS with the California Department of Transportation to aid in the financing of operating or capital assistance projects pursuant to Section 5311(f) of the Federal Transit Act of 1964, as amended.
3. The Chief Financial Officer is authorized to provide additional information as the California Department of Transportation may require in connection with the application for Section 5311(f) projects.

PASSED AND ADOPTED, by the Board of Directors this _____ day of _____, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System



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Agenda Item No. 8

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

BUFFER/COUPLER OVERHAUL SERVICES - CONTRACT AWARD

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1100.0-13 (in substantially the same format as Attachment A) with Complete Coach Works to overhaul up to 104 buffer/couplers—including the replacement of certain subcomponents as needed (Attachment B)—and up to 6 refurbished buffer/couplers to use as spares.

Budget Impact

The cost of this procurement would not exceed \$3,214,664 and would be funded through the FY 13-15 Capital Improvement Project 11304 (SD100 Buffer/Coupler Overhaul). The total cost is broken down as follows:

- Base cost for overhaul services of up to 104 units and purchase of up to 6 spare buffer/couplers: \$2,714,664.00
- Contingency for subcomponents that may require replacement during disassembly: \$500,000.00

Refurbishment	\$2,223,520.00
Labor	\$174,720.00
Spare Couplers	\$128,280.00
Sales Tax (Parts)	\$188,144.00
Contingency	\$500,000.00
Total Award:	\$3,214,664.00



DISCUSSION:

MTS currently has 104 Scharfenberg buffer/couplers in use with its Siemens SD 100 light rail vehicles (LRVs). These existing units have been in service since 1996. Because of their age and amount of use, each buffer/coupler now requires a midlife overhaul to extend its service life and to ensure there are no in-service failures. The buffer/couplers permit coupled trains to negotiate vertical and horizontal curves and allow free rotational movements, including cushioning, when the LRVs are in motion. As the current condition of each buffer/coupler cannot be determined without dismantling and inspection, staff deemed it prudent to provide for some contingency funding if it is necessary to replace certain subcomponents during overhauls. Utilizing any portion of the contingency for subcomponents shall require approval from the Project Manager. The replacement cost of each such subcomponent will be strictly according to the prices proposed in Attachment B.

MTS Policy No. 52 governing the acquisition of materials, supplies, and services requires a formal competitive procurement process for purchases exceeding \$100,000. On September 19, 2012, MTS staff published a Request for Proposals. A preproposal meeting was held on October 3, 2012, and was followed by a question-and-answer period. Two responsive and responsible proposals were received by the deadline of December 19, 2012.

An evaluation committee was convened and determined that the proposal from Complete Coach Works was the most beneficial to MTS. To ascertain that Complete Coach Works is truly the best match for MTS's requirements relative to this procurement, the evaluation committee requested and received a best and final offer.

Upon receipt of the best and final offer, the evaluation committee held a final review and determined that Complete Coach Works' technical proposal either met or exceeded the requirements of the solicitation, and a final review of its pricing concluded that all related costs were fair and reasonable.



Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. Draft MTS Doc. No. L1100.0-13
B. Complete Coach Works BAFO Pricing

DRAFT

**STANDARD SERVICES AGREEMENT
FOR
LRV BUFFER/COUPLER OVERHAUL SERVICES**

<u>L1100.0-13</u> CONTRACT NUMBER
<u>OPS 960.2</u> FILE/PO NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2013, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Complete Coach WorksAddress: 1863 Service CourtForm of Business: Corporation
(Corporation, Partnership, Sole Proprietor, etc.)Riverside, CA 92507Telephone: 951-684-9585

Authorized person to sign contracts: <u>Macy Neshati</u>	<u>General Manager</u>
Name	Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services, as follows:

LRV Buffer/Coupler Overhaul Services as specified in the Scope of Work, Contractor's BAFO, the Standard Conditions Procurement, and the Federal Requirements.

The total amount of this contract shall not exceed \$3,214,664.00, including California sales tax and freight, without prior written approval from MTS.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION
By: _____ Paul C. Jablonski, Chief Executive Officer		Firm: _____
Approved as to form:		By: _____ Signature
By: _____ Office of General Counsel		Title: _____
AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
<u>\$3,214,664.00</u>	<u>CIP 11304</u>	<u>FY 13 - FY 15</u>

By: _____
Chief Financial Officer

(_____ total pages, each bearing contract number)

Complete Coach Works-BAFO Pricing

Light Rail Vehicle (LRV) Couplers and Draft Gear	Qty.	Unit Price	Ext. Price
1. Refurbishment of Light Rail Vehicle (LRV) Coupler and Draft Gear assemblies as Specified including all materials required for refurbishment	Up to 104	\$ 21,380.00	\$ 2,223,520.00
2. Installation of Light Rail Vehicle (LRV) Couplers and Draft Gear as Specified (Non Taxable Labor) including all materials required for installation	Up to 104	\$ 1,680.00	\$ 174,720.00
3. Scharfenberg Coupler and Draft Gear assembly (Refurbished)	Up to 6	\$ 21,380.00	\$ 128,280.00
4. California Sales Tax (Parts) @ 8%			\$ 188,144.00
5. Contingency for Sub-components (if necessary)			\$ 500,000.00
Total:			\$ 3,214,664.00



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Agenda Item No. 9

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

BUS BENCH ADVERTISING - EXERCISE CONTRACT OPTION YEARS 4 AND 5

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. B0201.2-99 (in substantially the same format as Attachment A) to exercise option years 4 and 5 with Coast United Advertising for bus bench advertising revenues from February 2, 2013, through February 1, 2015.

Budget Impact

MTS staff is estimating \$135,240.00 per year (\$11,270 per month) in revenue from Coast United Advertising for exercising option years 4 and 5. The total revenue for option years 4 and 5 would be \$270,480.00.

•	Option Year 4	\$135,240.00
•	<u>Option Year 5</u>	<u>\$135,240.00</u>
	Total Revenue:	\$270,480.00

DISCUSSION:

MTS administers programs for the placement of bus benches and bus shelters within the City of San Diego pursuant to a Memorandum of Understanding (MOU). Coast United Advertising has been responsible for the maintenance and advertising of MTS bus benches since 1999. Exercising option years 4 and 5 would ensure uninterrupted maintenance and revenue are provided for bus bench advertising.


Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Draft MTS Doc. No. B0201.2-99



DRAFT

March 21, 2013

MTS Doc. No. B0201.2-99
SRTP 850.2

Mr. William M. Giamela
Coast United Advertising
8020 Deering Avenue
Canoga Park, CA 91304

Dear Mr. Giamela:

Subject: AMENDMENT NO. 2 TO MTS DOC. NO. B0201.0-99; EXERCISE OPTION YEARS 4 AND 5
- BUS BENCH ADVERTISING

In accordance with Section A, "Term," of the Standard Services Agreement within MTS Doc No. B0201.0-99, MTS amends the Agreement to exercise option years 4 and 5.

SCOPE OF SERVICES

Continue to provide bus bench maintenance and advertising as stipulated in the original contract.

SCHEDULE

This amendment exercises option years 4 and 5 from February 2, 2013, through February 1, 2015.

PAYMENT

The anticipated revenue payments that MTS will receive from exercising option years 4 and 5 will total \$270,480.00 in revenue for MTS (\$11,270 x 24 months).

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

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

William M. Giamela
Coast United Advertising

Date: _____



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Agenda Item No. 10

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

AMENDMENT TO CHIEF EXECUTIVE OFFICER EMPLOYMENT AGREEMENT

RECOMMENDATION:

That the Board of Directors approve MTS Doc. No. G0912.6-04 (the Executive Employment Agreement between MTS and Paul C. Jablonski) to allow Mr. Jablonski to accrue up to 80 hours of compensatory time in 2013 (retroactive to January 1, 2013).

Budget Impact

The cost to MTS would be up to \$12,445.44.

DISCUSSION:

The Board Chairman, as the agency's designated negotiator for the Chief Executive Officer's (CEO's) contract, has negotiated a proposed contract amendment recognizing Mr. Jablonski's performance in calendar year 2012.

This review year has been distinguished by fiscal responsibility, operational changes to ensure sustainability over the next 20 years, and significant capital improvements.

Under Mr. Jablonski's guidance, MTS continues to be one of the most cost-effective transit agencies in the nation. Notably, as indicated in Attachment B, MTS's Farebox Recovery Ratio of 43.8% is nearly twice the average of 12 comparable transit agencies. In addition, MTS has the lowest Cost per Passenger Trip at \$2.31 and the lowest Subsidy per Passenger Trip at \$1.30, which are outcomes that set MTS apart from its peers and are beneficial to MTS's bottom line.



Mr. Jablonski was also instrumental in attaining favorable outcomes in MTS's collective bargaining negotiations, which included significant pension reform and other cost-effective changes across all bargaining units. Pension reform was also implemented for all management employees to help further control retirement costs going forward.

In addition to helping MTS make progress toward its goal of achieving fiscal sustainability, ridership has increased 4.5%, and customer complaints have decreased 27% in bus operations and 19% in rail operations under Mr. Jablonski's management.

Other particularly noteworthy achievements include the rehabilitation of all Green Line extension stations and the implementation of low-floor service from Old Town to Imperial Avenue. Additionally, all Orange Line stations have been rehabilitated, and new low-floor car service started on January 7, 2013. These changes have improved the efficiency and effectiveness of the system. A comprehensive list of Mr. Jablonski's achievements is outlined in Attachment C.

In recognition of his exceptional performance, an amendment to Mr. Jablonski's Executive Employment Agreement is proposed to allow him to accrue up to 80 hours of compensatory time in 2013 to acknowledge him for working weekends (retroactive to January 1, 2013). In order to allow Mr. Jablonski to take off a weekday during a week where weekend travel was required, or to take an extra day in a later week to compensate for extended workweeks, it is proposed that up to 10 days of compensatory time be provided based on actual weekend days worked by the CEO in calendar year 2013. Unused compensatory time, if any, would not be subject to sell back and would not be paid upon termination.



Harry Mathis
Chairman of the Board

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

Attachments: A. Draft MTS Doc. No. G0912.6-04
B. FY 2012 Peer Analysis
C. MTS 2012 Accomplishments

DRAFT

March 21, 2013

MTS Doc. No. G0912.6-04

Mr. Paul Jablonski
Chief Executive Officer
San Diego Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, California 92101

Dear Mr. Jablonski:

Subject: AMENDMENT 6 TO MTS DOC. NO. G0912.0-04
EXECUTIVE EMPLOYMENT AGREEMENT (CHIEF EXECUTIVE OFFICER)

This letter shall serve to modify our agreement for professional services pursuant to the Executive Employment Agreement dated July 1, 2008, and modified by amendments dated March 5, 2009, March 24, 2011, and December 13, 2012 ("Agreement"), as set forth below:

Modify Exhibit A "Fringe Benefits for Chief Executive Officer" to include the following additional fringe benefit for calendar year 2013 only:

- Compensatory Time Off. In the event the CEO is required to work on weekend days during calendar year 2013, he shall be entitled to receive up to a maximum of 80 hours of compensatory time off in equal one-hour increments to weekend hours worked.

If you agree with the above, please sign in the space provided below and return one document marked "Original" to MTS. All other terms and conditions shall remain in effect.

Sincerely,

Accepted:

Harry Mathis
Chairman

Paul C. Jablonski

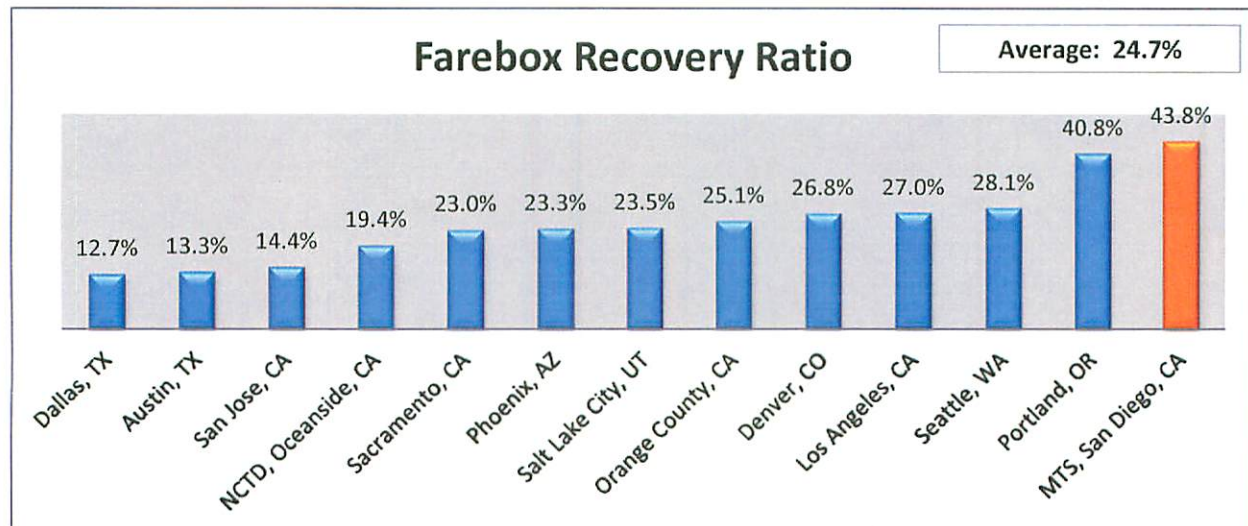
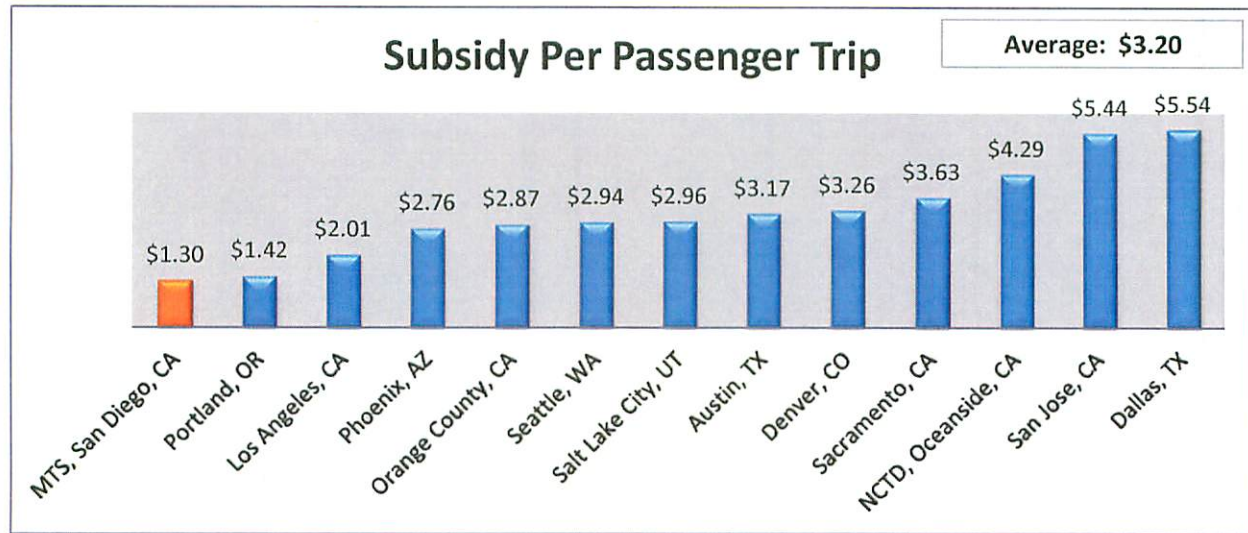
Approved as to Form:

By: _____
Karen Landers, General Counsel

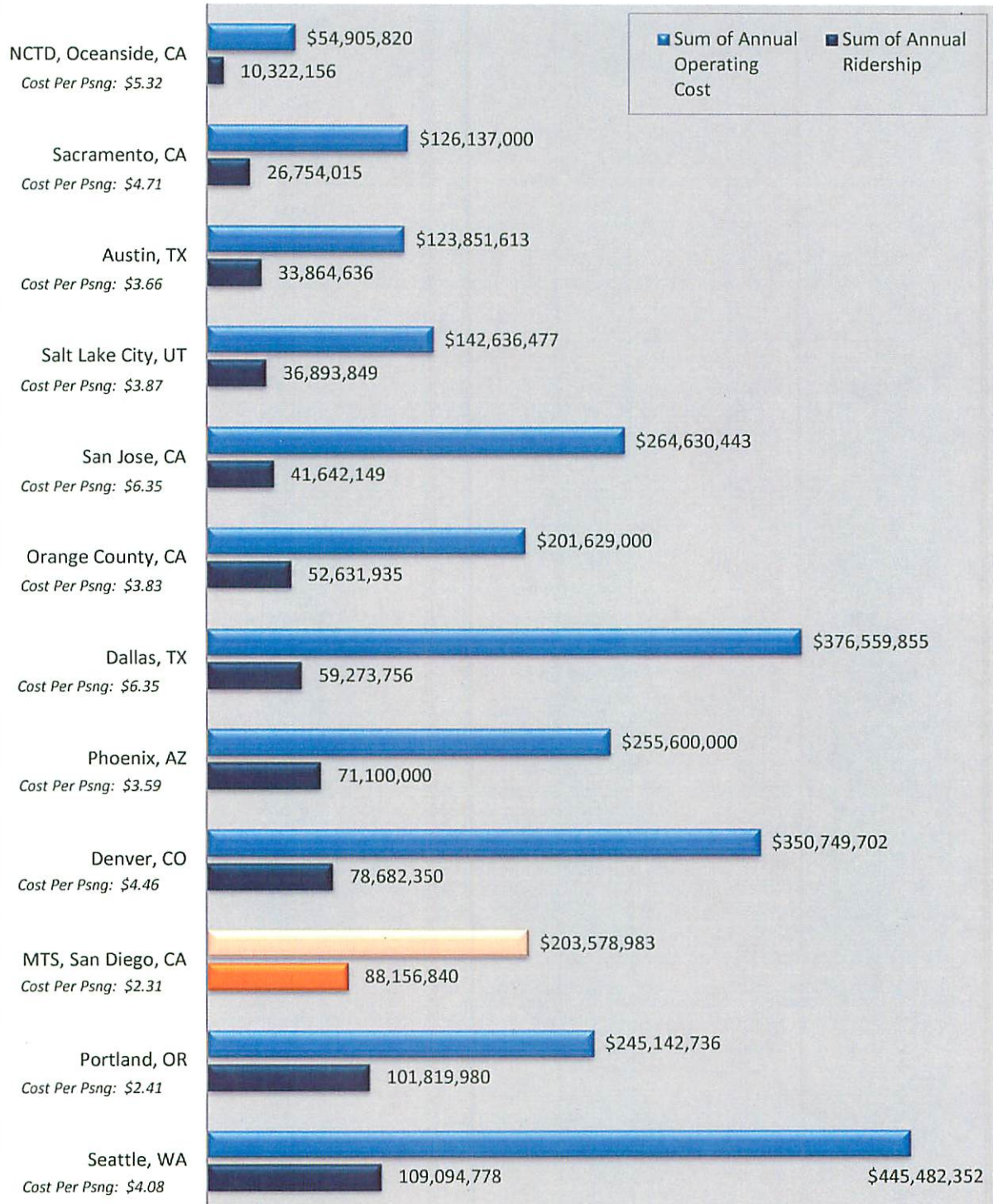
FY 2012 Peer Analysis

Att. B, AI 10, 3/21/13

Agency Name	Annual Ridership	Annual Operating Cost	Cost Per Passenger Trip	Farebox Recovery Ratio
MTS Metropolitan Transit System (San Diego, CA)	88,156,840	\$203,578,983	\$2.31	43.8%
LA METRO Los Angeles County Metropolitan Transportation Authority (Los Angeles, CA)	392,168,000	\$1,080,359,000	\$2.75	27.0%
NCTD North County Transit District (Oceanside, CA)	10,322,156	\$54,905,820	\$5.32	19.4%
OCTA Orange County Transportation Authority (Orange County, CA)	52,631,935	\$201,629,000	\$3.83	25.1%
RT Sacramento Regional Transit Authority (Sacramento, CA)	26,754,015	\$126,137,000	\$4.71	23.0%
TRIMET Tri-County Metropolitan Transportation District of Oregon (Portland, OR)	101,819,980	\$245,142,736	\$2.41	40.8%
CAPMETRO Capital Metropolitan Transportation Authority (Austin, TX)	33,864,636	\$123,851,613	\$3.66	13.3%
DART Dallas Area Rapid Transit (Dallas, TX)	59,273,756	\$376,559,855	\$6.35	12.7%
KING COUNTY METRO King County Department of Transportation (Seattle, WA)	109,094,778	\$445,482,352	\$4.08	28.1%
RTD Denver Regional Transportation District (Denver, CO)	78,682,350	\$350,749,702	\$4.46	26.8%
VALLEY METRO City of Phoenix Public Transit Department (Phoenix, AZ)	71,100,000	\$255,600,000	\$3.59	23.3%
VTA Santa Clara Valley Transportation Authority (San Jose, CA)	41,642,149	\$264,630,443	\$6.35	14.4%
UTA Utah Transit Authority (Salt Lake City, UT)	36,893,849	\$142,636,477	\$3.87	23.5%



Annual Ridership & Operating Budget (Excluding Los Angeles)





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Memorandum

DATE: January 17, 2013
TO: Board of Directors
FROM: Paul Jablonski
SUBJECT: MTS 2012 Accomplishments

The following summarizes the major accomplishments for MTS during Calendar Year 2012:

- All Green Line extension stations were rehabilitated and the Green Line low floor service extended from Old Town to Imperial.
- All downtown stations completed for service except for Fifth Avenue.
- All Orange Line stations have been rehabilitated and new low floor car service started on January 7, 2013.
- Purchased 8 additional S-70 LRV's for a total of 65. Enables two-floor cars to operate on the Orange Line in every 3-car consist.
- Negotiated and settled labor agreements with:
 - TEOA (representing MTS Code Compliance Officers)
 - ATU (representing Bus Drivers)
 - IDEW (representing Trolley Workers)
- Implemented pension reform and changes across all bargaining units and MTS employees.
- Compass Card transition from paper day pass completed. Only one aspect of Compass Card remains to be implemented, stored value.
- All SD-100 and S70 rail cars have CCTV installed.
- Multi-year 60' articulated and 40' buses bid and procured.
- Design/Build contract for South Bay Bus Maintenance Facility is under contract and started.
- Design plans of East County Bus Maintenance Facility at 95%.



Blue Line crossover and signaling construction 75% complete

Siemens S-70 cars delivery on schedule

FTA Triennial review conducted with no findings.

FTA Title VI audit conducted with no findings.

Triennial CPUC safety and security audit conducted with no findings.

Signed an agreement with Mendoza, Argentina for the sale of 24 U-2 cars worth \$5.1M, plus parts valued at \$400K, plus an ongoing technical advisory contract.

Received \$10M East County Bus Maintenance Facility FTA State of Good Repair grant plus \$3.0M to implement a new asset management system now federally required.

Implemented bus and trolley service increase in June, September 2012 and January 2013, from a Board authorized \$6.0M service increase.

MTS texting initiative receiving over 15,000 daily texts.

Vintage PCC car put in service.

Customer satisfaction survey conducted.

Increased concessionaire contract revenue by 40%.

CCTV upgraded to AVIGILON at Grossmont, 5th Ave., Spring St. and SDSU.

Our security uploaded approximately 1600 graffiti incidents into Graffiti Watch.

Implemented enhanced security of Blue and Orange Lines in evening hours.

FY12 CAFR completed and clean audit achieved.

Government Finance Officer Association award received for FY11 CAFR.

Cost for insurance policies reduced by \$178K.

Claims for both trolley and bus reduced by over \$600K.

Workers compensation costs again reduced with a positive downward trend over the last 8 years.

Miles between road calls for MTS bus over 10,000 miles between mechanical breakdowns.

Ridership up 4.5% for FY12, 88.5M.

- Preventable accidents reduced by 7.5%.
- Complaints reduced by both Bus & Trolley
 - 27% MTS Bus
 - 19.9% Trolley
- Compass Card partner and outlet sales transition from Vons to Albertsons.
- Early pay-off of \$38M in variable rate interest Pension Obligation Bonds to be complete in 2013.
- Gained acceptance into San Diego Police Chiefs Committee as well as acceptance into ARJIS.
- Operated a successful Rock & Roll Marathon carrying 29,000 passengers.



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Agenda Item No. 11

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

AUDIT REPORTS – TROLLEY AND BUS STOREROOMS

RECOMMENDATION:

That the Board of Directors receive internal audit reports on Trolley and Bus Storeroom operations.

Budget Impact

None.

DISCUSSION:

The MTS Internal Auditor completed a consultative review on Trolley and Bus Storeroom operations. Evidence reviewed determined that overall controls were operating as designed and intended; however, MTS's Internal Auditor concluded that there were business-continuity risks associated with both Trolley and Bus Storeroom operations. The audits also provided recommendations for Management's consideration based on the findings identified.

A handwritten signature in blue ink that reads "Sharon Cooney" followed by a flourish.

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Trolley & Bus Storeroom Audit Reports – (Unredacted Version for Board Only)





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Att. A, AI 11, 3/21/13

Memorandum

DATE: 12/19/2012
TO: Larry Marinesi and Mike Fitz-Gerald
FROM: Daniel Madzelan
SUBJECT: Trolley Storeroom Operations – Consultative Review

**REDACTED
VERSION**

EXECUTIVE SUMMARY:

Review Overview:

The Trolley Storeroom, which is responsible for inventory management, began a major project in 2010 to restructure their control environment and related control activities. The primary objective of the project was to implement internal controls consistent with those governing Bus Storeroom operations.

Given the nature of the project, Audit elected to perform a review of Trolley Storeroom operations in a consultative capacity. In accordance with Internal Auditing Professional Practices consultative reviews require the nature and scope of the review to be agreed upon with the client with the objective of adding value and improving governance, risk management and control processes without the auditor assuming management responsibilities.

Review Objectives and Scope:

The objectives of the review were: 1) identify and understand internal controls/operating procedures in place to facilitate achievement of business objectives, 2) verify that current procedures met general baseline controls for inventory management processes, 3) evaluate the effectiveness and efficiency of the internal controls in operation, and 4) identify any residual risks remaining based on current operating controls that might be at levels above Management's risk tolerance.

The scope of the review included evaluating the following operations:

1. Inventory Requisition/Ordering Procedures
2. Inventory Receiving Procedures
3. Distribution/Acquitting of Inventory Procedures
4. Physical Counting (Daily Cycle Counting) Procedures
5. Security controls of facilities
 - a. Physical Inventory Security; with special emphasis on Fare Media
 - b. Building Security
6. Slow Moving, Obsolete and Scrapping Inventory Procedures
7. Performance Monitoring, Reporting, and Communication

The majority of the activities reviewed took place between July and September of 2012.



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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

Review Summary:

There were two operations (Inventory Requisitions/Ordering and Slow Moving/Obsolete Inventory) where Audit was unable to perform their designed review procedures. Audit was not able to evaluate Inventory Requisition/Ordering Procedures due to system limitations, as well as current operating procedures addressing document retention.

With respect to Slow Moving/Obsolete Inventory, current parameters in the perpetual inventory system for identifying slow moving/obsolete inventory would result in a significant population, such that Audit could not rationally sample the population to provide reasonable assurance of operational effectiveness. Second, system generated reports are not maintained in hard copy due to size of reports, thus there was not tangible evidence for Audit to evaluate against stated control procedures. Finally, at the time of the review Management was engaged in a project addressing slow moving/obsolete inventory for all storerooms.

Audit concluded, in consultation with Management, the best approach would be to allow for continuation of the current project and provide recommendations regarding potential new operating procedures within this area. Management could then assess the recommendations and formally implement new procedures, as deemed necessary, on a go forward basis regarding slow moving/obsolete inventory.

For the operational areas subject to review, Audit concluded Management had designed and implemented internal controls to prevent, detect, and address standard business risks regarding inventory management. Overall, these controls were working as designed and intended. However, there was not always tangible evidence to support compliance with operating procedures. Audit also identified some opportunities for process improvements, which could help improve the overall effectiveness and efficiency of operations, as well as enhance communication and monitoring of activities.

General Observation and Recommendation:

Audit concluded that Store Management has a tremendous amount of knowledge, based on historical operations, and utilizes this knowledge to effectively manage activities in the storeroom. Audit did not discern a formal standard operating procedure (SOP) document clearly stating operating procedures governing the activities of the storeroom. Audit concluded there is measurable risk to the organization regarding business continuity (i.e. the ability to effectively and efficiently manage operations) in the event that certain management personnel were no longer in their current positions, as that knowledge would be lost and not easily replaced.

NOTE: When a new Enterprise Resource Planning (ERP) system is implemented, internal controls should become more automated and rely less on Management's knowledge and judgments. However, until that time, formally documenting control activities, information and communication, and monitoring procedures is encouraged. Additionally, recommendations within this report should be considered when contemplating the configuration and controls around the new ERP system with respect to inventory management.

Accordingly, one recommendation would be to document current operating procedures in a formal SOP narrative. This would include all changes in operations as a result of this review or changes enacted as part of Management's continual process improvement evaluations. Management should then adopt a policy of reviewing their SOP at least annually, consistent with other Finance/Accounting procedural narratives.

The subsequent pages of this report outline the testing procedures performed by Audit with respect to the scoped areas of operations, findings and observations, recommendations for Management's consideration, and Management's responses to recommendations. NOTE: Given the low level of risk associated with the review findings/observations, Management is not obligated to implement recommendations if they determine such controls would not add value to the overall effectiveness and efficiencies of operations.

Report Distribution:

Paul Jablonski, Cliff Telfer, Karen Landers – MTS

REVIEW PROCEDURES, FINDINGS/OBSERVATIONS, AND RECOMMENDATIONS

1) Inventory Requisition/Ordering Procedures (Scope Limitation)

There are two primary buy requisitions initiated by storeroom personnel:

1. System generated recommended order requisitions: Perpetual inventory system initiates these requisitions based on the minimum/maximum quantities on hand assigned to stock codes by Management. Once inventory levels reach their minimum levels available on hand, the system notifies Management it is time to re-order the stock code.
2. Management/manual order requisitions. These requisitions are not system generated, but rather decisions to buy a particular stock code are based on Management's assessment of current inventory levels, on-going operations, and/or upcoming events requiring the purchasing of additional inventory.

Audit designed procedures to test controls around both system generated and management generated requisitions. Among the procedures Audit planned to evaluate were; a) that system generated recommended buy orders were converted to actual buy orders in a timely manner; and similarly that buy orders were converted to actual purchase orders in a timely manner, b) system recommended buy order quantities were accurately calculated based on minimum/maximum quantity on hand parameters established by Management, c) that there was evidence of physical counting (cycle counts) performed to verify accuracy of the stock on hand reflected on the system recommended buy order reports, d) the quantity actually ordered was consistent with the recommended buy quantities; and in the event there were differences, Management documented the reason for ordering more or less of the stock item, e) compliance with MTS signature authority policy (i.e. the total cost of the buy order was within the authorized spending authority for the Manager placing the order), f) that there was proper segregation of duties within the process, g) that the stock codes and quantity actually purchased agreed with buy order; and in the event there was difference, there was documentation to support the change in the purchase order, and h) that the preferred vendor noted in perpetual inventory system was used to fulfill the buy order.

Audit was not able to perform their designed testing primarily as a result of system limitations with the perpetual inventory system, as well as current operating procedures regarding record retention. Presently, the Trolley Storerooms does not print and retain system recommended buy orders or actual buy order reports entered in the perpetual inventory system. Once a buy order becomes a purchase order, the system does not retain information related to the buy order, as the purchase order becomes the primary record. Thus, there is no record within the system, or in hard copy, of the actual buy requisitions prepared by the system or Management.

Bus Storerooms do print and retain buy order requisitions, thus there is inconsistency at this time between the two operations.

Audit Recommendations:

1) Management should consider printing and retaining a hard copy of buy requisitions, consistent with Bus Storeroom operations. Printing and retaining these documents would provide tangible evidence to assess the overall effectiveness and adherence to operating procedures governing these activities.

2) If the first recommendation is implemented, Management should consider instituting a procedure requiring documentation on the buy requisition form (or within the perpetual inventory system for the stock code) when the quantity purchased is different than the system recommended buy quantity. Given the system parameters are based on historical utilization of stock codes and are designed to calculate order quantities in accordance with safety stock reserves, including documentation supporting orders outside the set parameters serves as an additional control to monitor spending as well as managing inventory levels.

3) Management currently has the responsibility for setting the minimum/maximum quantities on hand for each stock code, which in turn determines when the system notifies Management of the need to order additional stock. Audit did not identify well defined thresholds/standards regarding what level of Management authorization is required to change system parameters governing minimum/maximum levels. From a risk standpoint, there are operational and

financial risk associated with changing these parameters. For example, reducing the minimum quantity on hand may decrease carrying cost of inventory, while increasing the risk of stock out. Conversely, increasing the maximum quantity on hand would reduce the risk of stock outs, but also increase carrying costs in inventory, which can impact cash flows.

Accordingly, Management should consider establishing thresholds to ensure the appropriate levels of Management are reviewing and authorizing changes to minimum/maximum inventory levels. If feasible, Management should generate reports listing these changes, sign and date the reports to serve as evidence of review and adherence to operating procedures. Management should determine the frequency of such reporting and retain the documents in accordance with storeroom retention policies.

2) Slow Moving, Obsolete, and Scrapping Inventory Procedures (Scope Limitation)

Audit designed procedures to evaluate the following areas of operations with respect to slow moving/obsolete inventory: a) verify Management has formal parameters for defining slow moving/potentially obsolete inventory, b) verify Management has procedures in place for reviewing/analyzing inventory against set parameters, c) verify inventory identified as slow moving/potentially obsolete is clearly labeled within the warehouse, as well as within the perpetual inventory system, d) verify procedures are in place for adjusting inventory values to the lower of cost or market in accordance with general accepted accounting principles (GAAP) when necessary, and e) verify Management has a process in place for scrapping inventory on hand when it can no longer be utilized by the organization.

Based on inquiry, there are procedural requirements to annually analyze and identify potentially slow moving/obsolete inventory. The perpetual inventory system has reporting capabilities to identify potential obsolete inventory by querying stock codes in one of four ways:

1. Stock on hand > Re-order point + minimum stock on hand requirement
2. Stock on hand > Re-order point + minimum stock on hand requirement + usage
3. Usage = Zero
4. No Unscheduled Usage Since (Date)

The system reporting also allows the user to set a dollar threshold for reviewing inventory for potential obsolescence, either a minimum value or a maximum value, for each of the four methods documented above.

There was no tangible evidence available for Audit to review to verify the required annual procedures were being performed, as Management does not print out the system reports due to the size of the reports. Further, there were no formal guidelines communicated to Audit as to how Management utilizes the available reporting in order to identify potentially slow moving/obsolete inventory. Each report would identify a different population of potential obsolete stock codes. Changing the dollar thresholds would further modify these reports, such that Management could generate several different reports that would lead to varying conclusions regarding potential obsolete inventory on hand. Finally, Audit did not observe clear evidence during walkthroughs of the warehouse that potential slow moving/obsolete inventory was labeled as such.

Audit therefore concluded there are not well defined procedures for analyzing and identifying slow moving/potentially obsolete inventory. Thus, there is some risk of overstating inventory balances at the end of financial reporting periods as inventory might not be properly valued at the lower of cost or market in accordance with GAAP.

NOTE: At the time of the review Management was actively engaged in a project with respect to slow moving/obsolete inventory. Accordingly, recommendations presented below are for Management's consideration upon completion of their current project.

Audit Recommendations:

- 1) Management should consider deleting stock codes in the system classified as obsolete and having a zero balances. There is not any measurable value, as assessed by Audit, for keeping these stock codes in the perpetual inventory system.
- 2) Management should determine the optimal report within the current perpetual inventory system and set clear parameters regarding how inventory is to be analyzed or evaluated for potential obsolescence. This would help ensure there is a consistent and repeatable process followed by Management, thereby eliminating some of the judgment and subjectivity in the current process.
- 3) Management should ensure there is some level of document retention to support performance of the analysis process; one potential option would be to print out a portion of the report, not necessarily the entire report, to serve as evidence of the process taking place. There should also be tangible evidence of Management's review (initials, signature, and dating of the report).
- 4) If a stock code is determined to be slow moving or potentially obsolete, Management should have a system in place to ensure these stock codes are clearly identifiable, both within the actual warehouse and in the perpetual inventory system. Placing a colored sticker on the stock code bin locator in the warehouse would be one potential methodology to identify these stock codes.
- 5) If a stock code is determined to be slow moving or potentially obsolete, Management should have a system in place to ensure the current inventory valuation is consistent with GAAP. If the inventory values require adjusting, procedures should follow current internal controls regarding transactions of that nature, including proper authorization of the transaction by appropriate levels of Management.
- 6) If a stock code is determined to be obsolete, Management should have a system in place to ensure the inventory is properly scrapped and removed from the warehouse in a timely and cost efficient manner (i.e. bidding process/vendor selection). Such procedures also should include controls addressing the authorization levels assigned to each level of Management and related review procedures.

NOTE: These are also controls/procedures Management should consider when configuring the new ERP system around this operational area.

3) Inventory Receiving Procedures

Audit divided their review procedures regarding receiving inventory into the storeroom into three sections. Audit randomly selected their testing population, which consisted of fifteen (15) inventory receipts.

Section #1: Review of Receiving Documentation for Completeness and Accuracy: Procedures included verifying information on vendor supplied shipping formation was consistent with issued PO (both in quantity, stock description, and cost) as well as verifying the receiver properly completed the receiving document and Management reviewed the receiving document for completeness. Findings were as follows:

1. There were three (3) instances where the receiving document did not have tangible evidence of Management review (missing initials and date). Non-Compliance Rate - $3/15 = 20\%$.
2. The average time for Management reviews of the receiving report was six (6) days. Factoring out the two major outliers (one reviewed 24 days after receipt and one 11 days after receipt) the average time for review was 4 days.

Section #2: Verify performance of physical counts of inventory on hand (cycle counting) when new inventory is received and stocked into the warehouse. Current operating procedure requires the receiver of the inventory to physically count the amount of inventory on hand prior to receipt of new inventory to verify the system is accurate and up to date. Review process also verified that in the event of an adjustment to perpetual records, the adjustment was reviewed and appropriately approved by Management. Observation and findings were as follows:

Observation:

1. There were two (2) receipts of inventory where the quantity on hand was zero (0) prior to the receipt of new inventory. Based on review of stock code data in Ellipse, one stock code had a minimum quantity on hand balance requirement of zero, thus having a zero balance on hand was within operating procedures.

The other stock code had a minimum required balance on hand of five (5). Reviewing the stock code history for this inventory item, thirty five (35) were on hand, subsequently all of the inventory on hand was issued out of the warehouse on 7/24/12. The receipt of new inventory subject to review (quantity of 60) occurred on 7/27/12.

Thus, while Audit was not able to perform testing on requisitions as outlined above; this event does serve as evidence to indicate internal controls addressing buy requisitions as described to Audit were working as designed and intended.

Findings:

1. There were four (4) receiving documents where there was no tangible evidence (markings on the receiving document) to indicate physical counts of the inventory on hand. This is inconsistent with current operating procedures. Non-Compliance Rate - $4/15 = 26.6\%$.
2. There were three (3) receiving reports where the markings to indicate physical counts were a slash by the quantity on hand, which indicates a discrepancy between the quantities on hand and the physical count taken. However, Audit was able to verify, based on stock code history in perpetual inventory records, the totals on hand after the receipt were accurate and that no adjustments were processed. Thus, evidence indicated incorrect marking/reporting of physical counts in accordance with operating procedures. Non-Compliance Rate - $3/15 = 20\%$.

Section #3 – Stocking inventory in storeroom: Verify inventory was stored in the proper location and in the appropriate manner, as well as perform recounts where applicable to receiving selections.

There were no reportable findings. Evidence indicated all inventories were located in the warehouse consistent with the location specified on the receiving report, and all inventories were stored on the shelves in a manner to support a first in- first out (FIFO) inventory process flow.

Audit Recommendations:

1) Recommendation – Section #1 - Finding #1: No new procedures considered necessary; expectations should be re-communicated to those responsible for reviewing. Store Manager may elect to perform random informal reviews of receiving documents to verify compliance with this operating procedure.

2) Recommendation – Section #1 - Finding #2: Management should establish a performance metric for an acceptable time period for completing Management reviews of the receiving documentation. If implemented, the performance metric should be formally documented within the Store's SOP narrative.

3) Recommendation – Section #2 Findings: Management should enhance their review/monitoring procedures by requiring reviewers to specifically identify by documenting and initialing on the receiving document any evidence of non-compliance with operating procedures. This would help ensure Management is actively identifying these events so proper training and or re-communication takes place timely. Otherwise, Management's sign-off as a reviewer adds no value to the process if they are not actively looking for and identifying evidence of non-compliance with operating procedures.

4) Distribution/Acquitting of Inventory Procedures

Audit divided the review procedures regarding distributing/acquitting inventory from the storeroom into two sections. Audit's randomly selected the testing population, which included fifteen (15) distributions/acquittals of inventory from the storeroom.

Section #1: Verifying of the accuracy and completeness of pick ticket/warehouse requisition documentation: Among the attributes reviewed were: a) ensuring pick tickets were system generated; b) there was sufficient inventory on hand to completely fulfill the request for inventory, c) tickets were signed and dated by store personnel who issued the inventory, and personnel who received/picked up the inventory, d) quantity acquitted from inventory was properly reflected in perpetual records, and e) evidence of Management review for compliance with operating procedures. Observation and findings were as follows:

Observation:

1. There were two (2) selections where the quantity on hand reported on the pick ticket did not agree with reported quantity on hand within perpetual inventory records.

Audit spoke with Management, who assisted Audit in reconciling the differences. The differences were strictly the result of timing of between when a pick ticket requisitions was generated and when actual inventory was removed from the warehouse. The perpetual inventory system will reduce the amount of inventory available by the amount requested; these events are classified as Due Out in the system. However the system does not adjust the inventory totals until the physical removal of inventory from the warehouse. Thus, when Audit looked at the last reported quantity on hand, it did not capture any open requisition related to the stock code.

Findings:

1. There was no tangible evidence that Management reviewed the pick tickets for completeness or consistency with operating procedures.
2. There were two (2) pick ticket forms missing the date the receiver actually picked up the inventory, thereby physically removing it from the warehouse. Non-compliance rate: $2/15 = 13\%$.

Section #2: Verify performance of physical counts of inventory on hand (cycle counting) when inventory is acquitted/removed from the warehouse. Current operating procedures requires the issuer of the inventory to verify, through physical counting, the amount of inventory on hand prior to issuing the inventory out of the storeroom. Testing also verified that in the event of an adjustment to perpetual records, adjustments were reviewed and appropriately approved by Management.

There were no reportable findings; evidence reviewed indicated compliance with operating procedures regarding physical counting for distribution/acquittals of inventory. Recommendation regarding more formal review procedures/requirements would be applicable to this section.

Audit Recommendations:

1) Recommendation – Section #1 - Observation: Audit would recommend that in the event there is inventory due out, which results in a reported difference between the pick ticket report and transaction data in perpetual inventory system, that the issuer of the inventory document the counting of the inventory reported as due out; that way it is easier to reconcile pick ticket reports to transaction history in perpetual system.

2) Recommendation – Section #1 - Findings: Management should consider implementing more formal review procedure requirements of the pick tickets performed by Management to verify completeness, accuracy, and overall compliance with operating procedures. This could include requiring initialing and dating the form upon completing the review. At a minimum, there should be a process for ensuring reviews of acquittal documents by Management when cycle counts of the quantities on hand differ from the perpetual inventory records quantities on hand. This

would ensure required adjustments take place timely when applicable, so as to not over/understand quantities on hand.

5) Physical Counting (Daily Cycle Counting) Procedures

Current operating procedures require daily cycle counts Monday - Friday. Cycle counts are system generated based on parameters set by Management. Audit reviewed cycle counts performed during August 2012, which included twenty four (24) daily counts.

Review procedures consisted of a) evaluating overall process for effectiveness and efficiency, b) verifying cycle counts were performed blindly (i.e. inventory quantities are not listed on the count sheets), c) verifying daily counts all had the same number of stock codes for counting, d) counts were performed by appropriate store personnel e) count sheets were signed by the counter; as well as by the reviewer, f) discrepancies between physical counts and perpetual inventory systems were clearly documented and evidence of re-counts, and any related adjustments were clearly documented, and g) adjustment (if applicable) to the perpetual inventory records were approved/performed by appropriate personnel. Findings were as follows:

Findings:

1. The goal of the daily cycle counts, combined with other required physical counts (upon receipt, distribution, and ordering of inventory) is to ensure all stock codes are counted at least once annually. However, as understood by Audit, there is not a report within the perpetual inventory system that can validate or support achievement of this performance objective (all inventory stock codes counted at least once annually).
2. The system generated cycle counts listed a total of thirty-two (32) stock codes for each count. However, on average only twelve (12) stock codes actually required physical counting on a daily basis, or 37.5% of stock codes generated by the system.

The other stock codes all had zero balances, with no listed bin/stock shelf location (either primary, second or third bin) in the warehouse. This does raise issues regarding the effectiveness of current system parameters for generating the cycle counts. There does not appear to be any value added to the process by including stock codes with no reported bin locations.

3. There were nine (9) cycle counts performed, or 37.5%, where at least one of the initial counts reported was different than the quantity on hand in perpetual inventory records. This requires Management to perform a re-count. The range of stock codes requiring re-counts was 1 stock code up to 4 stock codes, with the average number of re-counts being 2 stock codes. On a percentage basis, the error range was 4.5% to 36.4%, with an average of 16%.

This raises some concerns as to the effectiveness and efficiency of the counting performed by the initial counters. As stated above, discrepancies require Management to perform re-counts. Evidence reviewed indicated Management re-counts consistently agree to quantity on hand in the perpetual inventory system.

4. One cycle count was not performed blind: Non Compliance Rate - $1/24 = 4.2\%$.
5. One cycle count only required actual counting of two stocked inventory codes. The individual who signed off as the reviewer (Asst. Store Manager) actually performed the physical count. This does represent a separation of duty issue for this particular count.

Additionally, there was one cycle count (August 15th) where the system generated report did not include any stocked inventory codes to be counted. A second system generated count form was prepared. Audit concluded that in the event described above, when only two stocked inventory items require counting, preparing and performing second cycle count would be the best procedure.

Audit Recommendations:

1) Management should re-assess the parameters in perpetual inventory system for generating physical count reports to determine if only stocked inventory with bin locations assigned should be subject to selection. There do not seem to be any value added by including those stock codes with no bin locations, as they all have zero balances.

If implemented, Management should also re-assess the required frequency of cycle counts, as performing daily counts might not be necessary going forward. This could increase the time available to perform other operational requirements, which could increase overall efficiencies of operations.

In the event there are no changes to the parameters, Audit would recommend establishing thresholds for the minimum quantities of actual stock on hand counted on a daily basis. If the initial report does not meet this threshold, a second report should be run, thereby ensuring physical counts are producing relevant and useful data for management.

2) Given there is not reporting within the system to validate all inventory is counted at least annually, Management should consider conducting full physical inventories on the warehouse annually, or at least every other year, to provide more sufficient and reliable evidence all stocked inventory is counted.

3) Management should consider requiring the initial counter to perform the first re-count in the event there is a discrepancy between their count and the perpetual inventory records based on Management's review. Management might also consider establishing performance metrics regarding counting accuracy of store personnel to hold store personnel more accountable for their activities.

Management should also consider whether having Management re-count and investigate all discrepancies reported is the most efficient use of their time. While identifying the cause of variances and limiting losses related to inventory shrink is important, spending significant amounts of time to identify and prevent shrink, which is inherent in inventory management operations, can create inefficient and ineffective utilization of Management's time.

4) While reviewing Bus Stores physical counts, Audit observed that Management as part of their review process verified that any inventory with a zero balance on hand had a minimum quantity on hand of zero in the perpetual inventory system. Audit would recommend implementing the same review verification standard for the Trolley Storeroom.

6) Security Controls: Physical Inventory and Building Security:

Review procedures addressing security, both physical inventory and building security, consisted of inquiry and observation. At Management's request, Audit detail tested Compass Card (Fare Media) activities for the month of September. There were a total of five (5) Compass Card transactions in September.

Section #1: Security and Safeguarding of Inventory: Audit's inquiry and observation reviews of general security and safeguarding controls consistent of the following: a) controls regarding access into the warehouse (preventing unauthorized or detecting unauthorized access); b) security cameras placement, data storage, and review procedures, c) the general layout of the storeroom for efficiency and effectiveness with respect to movement of goods, d) controls addressing fire safety (testing of alarm systems); and e) controls around storage of inventory (preventing loss, shrinkage, or damage to inventory) while stored in the warehouse.

Observations were as follows:

Observations:

1. Audit concluded the re-design on the warehouse floor plan should facilitate efficient and effective movement/storage of inventory within the warehouse. However, as observed in Physical Counting procedures, there was a noticeable error rate with respect to initial counts, which might be directly attributable to the re-design of the warehouse and updated shelf location/stock code labeling system.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7) Performance Monitoring, Reporting, and Communication

There are several key performance indicators (KPIs) organizations can utilize to assess inventory management. As such, Audit developed testing to a) establish what Management has determined as key performance indicators by which inventory management/storeroom operations are assessed, b) verify there is reporting around the KPIs, c) assess the frequency of the evaluation of performance in relation to the KPIs, d) determine whether current goals are being achieved, and e) verify KPIs are communicated and reviewed by appropriate levels of Management.

Findings/Observations:

The primary performance metric utilized by Storeroom Management to evaluate operations is inventory accuracy, which measures how accurate perpetual inventory records are in relation to actual stock on hand. This also helps ensure accurate financial reporting (costing) of inventory.

Audit observed the current perpetual inventory system had some reporting capabilities regarding inventory accuracy, however, the available reporting tracked adjustments on a daily basis. There was not reporting available to summarize inventory accuracy over a longer period of time and Management was not currently tracking adjustments outside of the system in another format (i.e. Excel or Access database).

Audit also observed that actual performance goals or targets for inventory accuracy were not formally documented, thus it was not feasible for Audit to assess compliance/adherence with objectives. NOTE: Audit's testing sample clearly showed a low level of inventory adjustments, thus available evidence suggested inventory accuracy would be well within generic or industry benchmark standards for warehouse operations.

Finally, through inquiry Audit learned that Finance Department Management tracks/analyzes carrying cost of inventory in relation to trolley and buses in the operating fleet. Carrying cost of inventory is also a standard performance metric tool for assessing inventory management, designed to evaluate the cost of holding and storing inventory over a given period of time and to help determine the optimum rate of inventory turnover.

Audit Recommendations:

With respect to inventory accuracy, Audit would encourage Management set formal performance targets for measuring on-going operations. These could be either in terms of percentage, dollar amounts, or a combination of both. Audit would also encourage Management to design reporting outside of the current perpetual inventory system to facilitate assessments of actual performance against stated targets, provided reporting cannot be easily developed within the existing inventory system.

Recognizing the limitations with current perpetual inventory system reporting and the organizations planned conversion to a new inventory system, Audit would recommend Management determine additional performance metrics/reporting that would provide relevant and useful information to assess storeroom operations and ensure the new inventory system design configuration includes such reporting. Once individual performance metrics/reports are identified, Management should then determine/establish the goals/targets storeroom operations will be held accountable for and develop procedures, and related time periods, for which Management should assess adherence to stated objectives.

As part of the review, Audit provided management a list of various performance metrics from different resources for considerations with respect to the new inventory system.

MANAGEMENT RESPONSES AND ACTION PLANS:

General Recommendation – Updating current SOP Narratives:

- a. After the auditor's consultative review, Management has begun the process of developing and updating current SOP narratives to help facilitate business continuity.

1) Inventory Requisition/Ordering Procedures (Scope Limitation):

- a. The current ERP system (Ellipse) generates a "buy recommended order" on a daily basis which is printable at both SDTC and SDTI, and these reports are reviewed by the Storeroom Supervisors. At this time, each supervisor makes necessary changes based upon their discussions with the Maintenance department (due to current needs or initiatives) and Procurement department (based upon current lead times).

At SDTC, the next day, the report automatically prints at the IAD Storeroom and one more review takes place before it is sent to the Procurement department. This report fortunately has extended text to explain the changes and why we potentially go over the max amount which isn't visible within the system. These reports are now being retained by IAD (for both IAD and KMD) so that there is an auditable trail between the recommended order, changes to the recommended order and the final order by Procurement.

The system does not allow for the report to be printed at SDTI but is printed at the Procurement department on a very sporadic basis (after discussions with Procurement, the report successfully prints out approximately 2-5 days out of 30 days due to system limitations).

When MTS explores a new ERP system, functionality for the auditable buy orders, modifications to the buy orders and final procurement of the orders will be required including the hard documentation of this process if the system doesn't allow for the audibility to take place within the system.

- b. Based upon the auditor recommendation, SDTC is now retaining hard copies of the buy requisition forms which include the comments for reasons why orders have been manipulated from their original

system generated amounts. Since there are system limitations at SDTI, these reports cannot be retained. As staff explores a new ERP system, a requirement will be the ability for the system to retain these reports for auditability and review.

- c. Staff believes that there is functionality within our current system, Ellipse to allow for Storeroom Supervisors to modify Min/Max levels without the execution of this in the system until the Materials Manager approves the modification within the system. Staff will explore “turning on” this functionality within our current system.

As we move forward with a new system, staff will require that this functionality is also present.

2) Slow Moving, Obsolete, and Scrapping Inventory Procedures (Scope Limitation)

- a. Staff believes that there is value in keeping stock codes within the system for a few reasons. Reactivation of old stock codes has taken place in the past which allows for staff to view the historical usage, vendors that parts were purchased from, and vendors who rebuild these parts. Staff believes that retaining these codes doesn't bog down the system and can be useful in the future.
- b. The report within our current ERP system, Ellipse, is very generic and doesn't allow for various parameters for obsolescence review. Staff will use the existing report that will provide usage over a period of time (no other parameters are available) to determine the obsolete parts.

As we move forward with a new ERP system, staff will require the ability to use an obsolescence report that allows for various parameters to dispose of obsolete parts.

- c. On a monthly basis, each Storeroom will print out a monthly disposal report which will include all of the approved disposals (see below for the disposal process and authorities). This report will require the approval of the Director of Financial Planning & Analysis and will be retained in hard copy.
- d. Staff doesn't believe the methodology of systematically identifying slow moving parts as there are many items in both warehouses (particularly within the SDTI warehouse) that are slow moving due to the nature of the system.
- e. In terms of disposing obsolete items, any disposal that exceeds \$1,000 is required to have the Director of Financial Planning & Analysis signature approval. Any disposal that is less than \$1,000 is required to have the Materials Manager signature approval. These disposal reports will be retained in hard copy. Also on a monthly basis, each Storeroom will print out a monthly disposal report which will include all of the approved disposals. This report will require the approval of the Director of Financial Planning & Analysis and will be retained in hard copy. All obsolete items when disposed will be auctioned off or sold to vendors / customers to receive the highest value for these parts.

3) Inventory Receiving Procedures

- a. After the auditor's consultative review, Management has retrained the Supervisors on this task and Supervisors are expected to sign all receiving documents no later than 3 days (due to weekend receipts, etc.). The Materials Manager will perform random reviews of this process to ensure compliance.
- b. After the auditor's consultative review, Management has retrained the Supervisors on this task and Supervisors are expected to sign all receiving documents no later than 3 days (due to weekend receipts, etc.).
- c. After the auditor's consultative review, Staff agrees with the recommendation. The Supervisor will review all documents within 3 days, and if there are procedures that are not being followed, the Supervisor will train the receiver and have the receiver initial the receiving report. Additionally, the

Materials Manager will periodically review the receiving reports to ensure all receiving reports are properly signed.

4) Distribution/Acquitting of Inventory Procedures

- a. After the auditor's consultative review, Management has retrained the Supervisors on this task and Supervisors are expected to sign all review and initial pick tickets on the same day (excluding weekends when they are reviewed on Monday).
- b. After the auditor's consultative review, Management has retrained the Stores employees to require a signature and date on the pick ticket from all employees who receive the parts.

5) Physical Counting (Daily Cycle Counting) Procedures

- a. Staff believes there is value in the daily cycle counts for various reasons:
 - (1) All parts are randomly counted at least one time per year.
 - (2) It provides a training mechanism for employees to review parts and become trained on them.
 - (3) Even though there are some zero valued parts (especially at the beginning and end of the fiscal year), the fact that the cycle counts are based on stock code will reveal if there are any parts that do not have a bin location or missing bin locations.
- b. Staff will work with IT to create a crystal report that will produce a report that shows the number of times a stock code has been counted via a cycle count. If this report shows that not all stock codes are counted at least one time through a fiscal year, Staff will implement a bi-annual full physical inventory count at each location. In the future, as staff works on the implementation of a new system, the system will be required to count each stock code at least one time per year and a report will be mandatory to reflect this.
- c. Staff believes there is value in the second count for a supervisor to observe the staff member's counting methodologies. This allows for observation in counting processes and also to determine whether there are parts in incorrect locations.
- d. As indicated within the audit recommendation, Staff will begin to establish performance metrics to have the ability to understand the success rates of counts, the individuals who succeed and struggle with counts so that accountability of counts can take place.
- e. Staff agrees with the auditor recommendation number four and will implement.

6) Security Controls: Physical Inventory and Building Security:

[REDACTED]

7) Performance Monitoring, Reporting, and Communication

- a. Management has already begun documenting and accumulating data for certain metrics that are industry standards. Staff will reach out to other peer agencies to determine the standard agency metrics (benchmarks) for our industry relative to the Storeroom. We will gather all metrics into a comprehensive reporting system that will provide historical trends and we will seek peer agency data to see how our agency compares. This reporting will take place on a quarterly basis.



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Memorandum

DATE: 12/19/2012
TO: Larry Marinesi and Mike Fitz-Gerald
FROM: Daniel Madzellan
SUBJECT: Bus Storerooms (IAD and KMD) Operations – Consultative Review

EXECUTIVE SUMMARY:

Review Overview, Objectives and Scope:

Audit performed a review of the Trolley Storeroom operations given the major changes in the control environment and related control activities. The control activities implemented at the Trolley Storeroom were based on existing controls governing Bus Storeroom operations, both at Imperial Avenue (IAD) and Kearny Mesa Divisions (KMD). At Management's request, Audit evaluated both divisions utilizing the same review procedures performed on the Trolley Storeroom.

The objectives of this review were: 1) evaluate the effectiveness and efficiency of the internal controls in operation, 2) verify consistency of operations between Bus and Trolley Storerooms, and 3) identify any residual risks remaining given current operating controls that might be at levels above Management's tolerance levels.

The scope of the review included evaluating the following operations:

8. Inventory Requisition/Ordering Procedures
9. Inventory Receiving Procedures
10. Distribution/Acquitting of Inventory Procedures
11. Physical Counting (Daily Cycle Counting) Procedures
12. Security controls of facilities
 - c. Physical Inventory Security; and
 - d. Building Security
13. Slow Moving, Obsolete and Scrapping Inventory Procedures
14. Performance Monitoring, Reporting, and Communication

The majority of the activities reviewed took place between July and October of 2012.

Review Summary:

For areas subject to review Audit concluded that overall Management's internal controls were working as designed to prevent, detect, and address standard business risks regarding inventory management operations. However, consistent with Trolley Storeroom findings, there was not always tangible evidence to support compliance with stated operating procedures. Audit also identified some opportunities for process improvement, which could help

improve the overall effectiveness and efficiency of operations, as well as enhance communication and monitoring of activities.

NOTE: Audit was not able to reasonably evaluate Slow Moving/Obsolete inventory procedures for Bus Storerooms for the same reasons identified in the **Trolley Storeroom Report**.

General Observation and Recommendation:

Consistent with Trolley operations, Bus Storeroom management personnel utilize their historical knowledge of operations to effectively manage activities in the stores. Likewise, Audit concluded there is measurable risk to the organization regarding business continuity (i.e. the ability to effectively and efficiently manage operations) in the event that certain management personnel were no longer in their current positions, as that knowledge would be lost and not easily replaced. Accordingly, the same recommendation of documenting operating procedures in a formal SOP narrative is applicable for the Bus Storerooms.

The subsequent pages of this report outline the testing procedures performed by Audit with respect to the areas of operations outlined above and findings/observations based on review procedures. Given the similarity in findings/observations within Bus Storeroom operations and those documented in the **Trolley Storeroom Report**, Audit has not included all Recommendations and Management Responses. Audit only included recommendations for areas of operation where findings/observations differed, requiring additional Management consideration. Operational areas requiring additional responses are presented first. Audit would refer readers to the **Trolley Storeroom Report** for Recommendation and Management Response/Action Plans.

Also, similar to the communication within the **Trolley Storeroom Report**, given the low level of risks associated with the review findings/observations, Management is not obligated to implement recommendations if they determine such control activities would not add value to the overall effectiveness and efficiencies of operations.

Report Distribution:

Paul Jablonski, Cliff Telfer, Karen Landers – MTS

REVIEW PROCEDURES, FINDINGS/OBSERVATIONS, AND RECOMMENDATIONS

1) Inventory Receiving Procedures:

Audit divided their review procedures for receiving inventory into the storerooms into three sections. Audit randomly selected their testing population, which consisted of twenty-four (24) total inventory receipts; twelve (12) each from IAD and KMD.

Section #1: Review of Receiving Documentation for Completeness and Accuracy: Procedures included verifying information on vendor supplied shipping form was consistent with issued PO (both in quantity, stock description and cost) as well as verifying that the receiver properly completed the receiving document and Management reviewed the receiving document for completeness. Findings were as follows:

IAD Operations:

1. There were seven (7) selections where the receiving document was generated prior to the actual receipt of the inventory into the warehouse. This is inconsistent with Audit expectations, as normally the receiving document is generated the day when the physical goods arrive. However, there were no quantifiable risks with this finding.
2. The average time for review of the receiving report was one and a half (1.5) days. Factoring out one outlier (7 days) the average time between receiving documentation completion and Management review was 1 day.

KMD Operations:

1. Three (3) selections were not transacted in the perpetual inventory system as they were received by the warehouse and directly delivered to another department. This procedure was only observed in our sample selections at KMD, but in discussion with Management it does occur at IAD as well. These parts did not have stock codes and the buy requisitions were likely sent to Procurement from non-stores personnel. Process creates a secondary procedure for how inventory can be issued out of the storeroom once received; (i.e. not utilizing the acquittal/distribution pick ticket process).

The risks by having this secondary process, as assessed by Audit, are as follows:

- a. Given the parts do not have stock codes and are not transacted in or out of perpetual inventory systems data regarding utilization of these parts are not captured and monitored.
- b. This process can create inefficiencies for Procurement as these orders often require immediate action on the part of Procurement.
- c. This process of allowing other departments to place orders takes inventory management out of the control of the storerooms, whose primary task is the managing inventory for the organization.

Section #2: Verify performance of physical counts of inventory on hand (cycle counting) when new inventory is received and stocked into the warehouse. Current operating procedure requires the receiver of the inventory to physically count the amount of inventory on hand prior to receipt of new inventory, to verify the system is accurate and up to date. Review process also verified that in the event of an adjustment to perpetual records, the adjustment was reviewed and appropriately approved by Management. Observation and findings were as follows:

IAD Operations:

1. There were two (2) receiving documents where there was no tangible evidence (markings on the receiving document) to indicate physical counts of the goods on hand prior to receiving the inventory into the warehouse. This is inconsistent with current operating procedures. Non-Compliance Rate - $2/12 = 16.6\%$.
2. There were three (3) receiving reports where the markings to indicate physical counts was a slash by the quantity on hand, which indicates a discrepancy between the quantities on hand and the actual physical count. However, Audit was able to verify the totals on hand after the receipt were accurate and that no adjustments were processed. Thus, evidence indicated incorrect marking/reporting of physical counts in accordance with operating procedures. Non Compliance Rate - $3/12 = 25.0\%$.

KMD Operations:

No reportable findings or observations.

Section #3 – Stocking inventory in storeroom: Verify inventory was stored in the proper location and in the appropriate manner, as well as perform recounts where applicable to receiving selections.

IAD Operations:

1. There was one (1) selection (stock code 000042010 - BRUSH; TRUCK) where Audit's physical count on hand (18) was greater than the perpetual inventory records (14). This selection was one of the two referenced above where the quantity on hand was not circled (or lacking evidence of performing a cycle count). Evidence suggests Management's cycle controls should have detected this, but in this instance did not work as designed or intended.
2. All inventories were located in the warehouse consistent with the location specified on the receiving report and all inventories were stored in a manner to support a FIFO inventory process flow.

KMD Operations:

There were no reportable findings. Evidence indicated all inventories were located in the warehouse consistent with the location specified on the receiving report, and all inventories were stored on the shelves in a manner to support a first in- first out (FIFO) inventory process flow.

Audit Recommendations:

Recommendation – Section #1 – KMD Finding #1: Management should consider suspending the use of direct delivery in receiving operations, such that all inventories ordered are received in and issued out of the perpetual inventory system. This would provide more information regarding part utilization, which over time should allow Store Management to take responsibility for managing all inventories necessary for daily operations.

All other findings/observations communicated above were consistent with findings at the Trolley Storeroom. Thus, Audit would refer readers to the **Trolley Storeroom Report**, as Recommendations, Management Response/Action Plans, and Estimated Completion Times would be the same.

2) Inventory Requisition/Ordering Procedures

Audit randomly sampled twenty-five (25) buy requisitions for review, thirteen (13) requisitions specific to IAD and twelve (12) specific to KMD. Testing performed by Audit consisted of evaluating the following control elements: a) that system generated recommended buy orders were converted to actual buy orders in a timely manner; and similarly that buy orders were converted to actual purchase orders in a timely manner, b) system recommended buy order quantities were accurately calculated based on minimum/maximum quantity on hand requirements established by Management, c) that there was evidence of physical counting (cycle counts) performed to verify

accuracy of the stock on hand reflected on the system recommended buy order reports, d) the quantity actually ordered was consistent with the recommended buy quantities; and in the event there were differences, Management documented the reason for ordering more or less of the stock item, e) compliance with MTS signature authority policy (i.e. the total cost of the buy order was within the authorized spending authority for the Manager placing the order), f) that there was proper segregation of duties within the process, g) that the stock codes and quantity actual purchased agreed with buy order; and in the event there was difference, there was documentation to support the change in the purchase order, and h) that the preferred vendor noted in perpetual inventory system was used to fulfill the buy order.

Findings and observations were as follows:

IAD Operations:

1. There were two (2) instances where the actual buy requisition was greater than the system recommended quantity. Audit did not observe any notation (either on the hard copy of the buy form or within the perpetual inventory system) indicating why the purchases for the stock codes were greater than order quantity calculated utilizing the Minimum/Maximum parameters.
2. There were four (4) instances where there was tangible direct evidence of physical counting of the quantity on hand (physical counts written on the buy form), but the actual quantity on hand reflected in the system recommended buy report was not circled. This is inconsistent with operating procedures, but documentation is considered sufficient evidence to verify compliance with operating procedures of performing physical counts.

KMD Operations:

1. There were eight (8) instances where the actual buy requisition was different than the system recommended buy quantity. One (1) buy was for less than the recommended quantity, while the other seven (7) were for quantities greater than the system recommended buy quantity. Audit did not observe any notation (either on the hard copy of the buy form or within the perpetual inventory system) indicating why purchases for the stock codes were greater or less than order quantity calculated utilizing the Minimum/Maximum parameters.

Additional analysis indicated the actual buy quantities were often for quantities reflected as the maximum quantity value set for the stock code. Provided there were no other stock acquittals of the inventory prior to receiving the purchase order, quantities on hand would exceed the maximum parameters set by Management. This is inconsistent with operations performed at IAD, as well as Audit's overall understanding of operations.

2. There were eleven (11) instances where there was tangible direct evidence of physical counting of the quantity on hand (physical counts written on the buy form), but the actual quantity on hand reflected on the system recommended buy report was not circled. This is inconsistent with operating procedures, but documentation is considered sufficient evidence to verify compliance with operating procedures of performing physical counts.
3. Consistent with the finding above, there was one (1) instance where the counter reported the quantity he/she physically counted on the report, but did not circle the quantity on hand to indicate agreement or slash the quantity on hand to indicate disagreement. The quantity on hand documented by the counter indicated a difference between their physical count and the quantity on hand in the perpetual inventory system (physical count was one greater). Audit did not identify any adjustments within the system for the stock code. The system recommended buy report did not indicate there were any due outs for this stock code.

Thus, evidence potentially indicates 1) the physical count documented was incorrect and not identified as part of the review process; or 2) the physical cycle count was correct and an adjusting transactional entry was not processed, thereby understating inventory on hand in the perpetual inventory system.

4. One (1) buy requisition completed by Management on 10/23/12 required re-submittal. Thus, the initial buy requisition was not converted into actual POs by Procurement within one week of the original submitted requisition, which is the stated performance goal. However, based on utilization of the part, the delay in processing did not pose any risk of potential stock out at the storeroom for the stock code.

Audit Recommendations:

1) IAD and KMD Operations Findings #1: There are operational differences regarding the quantity to actually buy based on system generated buy recommendation reports. IAD buy requisitions are based on the system generated recommended buy quantities, while KMD uses the maximum quantity on hand parameter of the stock code for their actual buy order quantities.

Management should implement clearer procedural guidelines regarding the actual quantities to buy (i.e. should actual buys equal the system recommended quantities or should they reflect the maximum quantity on hand total parameter).

All other findings/observations communicated above were consistent with findings at the Trolley Storeroom. Thus, Audit would refer readers to the Trolley Storeroom Report, as Recommendations, Management Response/Action Plans, and Estimated Completion Times would be the same.

3) Security Controls: Physical Inventory and Building Security:

Review procedures addressing security, both physical inventory and building security, consisted primarily of inquiry and observation.

Security and Safeguarding of Inventory: Audit's inquiry and observation reviews of general security and safeguarding controls consisted of the following: a) controls regarding access into the warehouse (preventing unauthorized or detecting unauthorized access); b) security cameras placement, data storage, and review procedures, c) the general layout of the storeroom for efficiency and effectiveness with respect to movement of goods, d) controls addressing fire safety (testing of alarm systems); and e) controls around storage of inventory (preventing loss, shrinkage, or damage to inventory) while stored in the warehouse. Observations were as follows:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



4) Slow Moving, Obsolete and Scrapping Inventory Procedures (Scope Limitation)

Same finding/observation as documented with the Trolley Stores Report. Section is included for informational purposes.

Based on inquiry, there are procedural requirements to perform slow moving/obsolete inventory analysis annually. The perpetual inventory system has reporting capabilities to identify potential obsolete inventory by querying stock codes in one of four ways:

5. Stock on hand > Re-order point + minimum stock on hand requirement
6. Stock on hand > Re-order point + minimum stock on hand requirement + usage
7. Usage = Zero
8. No Unscheduled Usage Since (Date)

The system reporting also allows the user to set a dollar threshold for reviewing inventory for potential obsolescence, either a minimum value or a maximum value, for each of the four methods documented above.

There was no tangible evidence available for Audit to review to verify the required annual procedures were being performed, as Management does not print out the system reports due to the size of the reports. Further, there were no formal guidelines communicated to Audit as to how Management utilizes the available reporting in order to identify potentially slow moving/obsolete inventory. Each report would identify a different population of potential obsolete stock codes. Changing the dollar thresholds criteria would further modify these reports, such that Management could generate several different reports that would lead to varying conclusions regarding potential obsolete inventory on hand. Finally, Audit did not observe clear evidence during walkthroughs of the warehouse that identified potential slow moving obsolete inventory.

Based on the evidence available, Audit concluded there are not well defined procedures for analyzing and identifying slow moving/potentially obsolete inventory. Thus, there is the risk of overstating inventory balances at the end of financial reporting periods as inventory might not be properly valued at the lower of cost or market in accordance with GAAP.

NOTE: At the time of the review Management was actively engaged in a project with respect to slow moving/obsolete inventory.

Audit Recommendations:

Findings/observations communicated above were consistent with findings at the Trolley Storeroom. Thus, Audit would refer readers to the **Trolley Storeroom Report**, as Recommendations and Management Responses would be the same.

5) Distribution/Acquitting of Inventory Procedures

Audit divided their review procedures for distributing/acquitting of inventory into two sections. Audit's randomly selected the testing population, which consisted of twenty-four (24) distributions/acquittals of inventory, twelve (12) each from IAD and KMD.

Section #1: Verifying of the accuracy and completeness of pick ticket/warehouse requisition documentation: Among the attributes reviewed were: a) ensuring pick tickets were system generated; b) there was sufficient inventory on hand to completely fulfill the request for inventory, c) tickets were signed and dated by store personnel who issued the inventory, and personnel who received/picked up the inventory, d) quantity acquitted from inventory

was properly reflected in perpetual records, and e) evidence of management review for compliance with operating procedures. Observation and findings were as follows:

IAD and KMD Operations:

1. There was no tangible evidence that Management reviewed the pick tickets for completeness or consistency with operating procedures (lacking signature or initials).

KMD Operations:

1. There was one (1) stock code (000047258 - WIPER; SPACER, REAR BRAKE ANCHOR PLATE) where the acquittal request could not be completed as there was a negative balance for the stock code. In reviewing perpetual inventory system for the stock code, there were two open purchase orders for the stock code that were both past due. Both purchase orders were for twenty (20) items, and scheduled to be delivered on 10/1/12 and 10/5/12 respectively.

The risk in this situation is untimely delivery of goods from the vendor, causing inventory levels to fall below the minimum quantity on hand and insufficient safety stock to meet operational demands.

Section #2: Verify performance of physical counts of inventory on hand (cycle counting) when inventory is acquitted/removed from the warehouse. Current operating procedure requires the issuer of the inventory to verify, through physical counting, the amount of inventory on hand prior to issuing the inventory out of the storeroom. Testing also verified that in the event of an adjustment to perpetual records, adjustments were reviewed and appropriately approved by management.

IAD Operations:

1. There was one (1) pick ticket form where the quantity on hand was not circled or marked to indicate that the cycle count had been performed. Non-Compliance Rate 1/12 = 8.3%

KMD Operations:

1. There were two (2) instances where Audit's expected inventory quantity on hand balance and the actual balance on hand reflected in perpetual inventory system after the acquittal transaction was processed was different. This could be caused by timing of fulfilling a different stock requisition (due ins/due outs) in the system. However, there was no documentation on the pick ticket form indicating there were any due ins/due outs and Audit could not verify that information in the system.

Thus, there is the potential in these instances that an adjustment needed to be made as inventory on hand was overstated. As previously noted, there was no tangible direct evidence of management reviews of the pick tickets and store management would be responsible for posting any required adjustments. Potential Error Rate: 2/12 = 16.6%.

Audit Recommendations:

Findings/observations communicated above were consistent with findings at the Trolley Storeroom. Thus, Audit would refer readers to the **Trolley Storeroom Report**, as Recommendations and Management Responses would be the same.

6) Physical Counting (Daily Cycle Counting) Procedures

Current operating procedures require daily cycle counts Monday - Friday. Cycle counts are system generated based on parameters set by Management. Audit reviewed cycle counts performed during September 2012, which included eighteen (18) cycle counts.

Review procedures consisted of: a) evaluating overall process for effectiveness and efficiency, b) verifying cycle counts were performed blindly (i.e. inventory quantities are not listed on the count sheets), c) verifying daily counts all had the same number of stock codes for counting, d) counts were performed by appropriate store personnel, e) count sheets were signed by the counter; as well as by the reviewer, f) discrepancies between physical counts and perpetual inventory systems were clearly documented and evidence of re-counts, and any related adjustments were clearly documented, and g) adjustment (if applicable) to the perpetual inventory records were approved/performed by appropriate personnel. Findings were as follows:

IAD Operations:

6. The goal of the daily cycle counts, combined with other required physical counts (upon receipt, distribution, and ordering of inventory) is to ensure all stock codes are counted at least once annually. However, as understood by Audit, there is not a report within the perpetual inventory system that can validate or support achievement of this performance objective (all inventory stock codes counted at least once annually).
7. The system generated cycle counts listed a total of fifty (50) stock codes for each count. However, on average only twenty-one (21) stock codes actually required physical counting on a daily basis, or 42% of stock codes generated by the system.

The other stock codes all had zero balances, with no listed bin/stock shelf locations (either primary, second or third bin) in the warehouse. This does raise issues regarding the effectiveness of current system parameters for generating the cycle counts. There does not appear to be any value added to the process by including stock codes with no reported bin locations.

8. There were five (5) cycle counts performed, 27.7%, where at least one of the initial counts reported was different than the quantity on hand in the perpetual inventory system. This requires Management to perform a re-count. The range of stock codes requiring re-counts was 1 stock code up to 4 stock codes, with the average number of re-counts being 2 stock codes. On a percentage basis, the range was 2.2% to 22.2%, with an average of 8.3%.

This raises some minor concerns as to the effectiveness and efficiency of the counting performed by the initial counters. As stated, discrepancies require Management to perform recounts. Evidence reviewed indicated Management re-counts consistently agree to quantity on hand in the perpetual inventory system.

9. There were ten (10) counts where there was indirect evidence of Management review, as reviewing manager left notes on the physical count sheets. However, best practice and to ensure consistency across operations, would be for reviewing manager to sign/initial the forms, as well as include the date of their review. This would provide more tangible evidence of review, as well as verify the timeliness of the reviews.
10. There were eight (8) cycle counts with no direct evidence of Management review, as there were no review comments left, which would suggest all of the counts were valid when compared to perpetual record, but without signature/initials of the reviewer Audit cannot be certain of this fact. Again, best practice and to ensure consistency across operations, would be for reviewing manager to sign/initial the forms, as well as include the date of their review.
11. All cycle counts were properly performed blindly.
12. Any adjustments performed were done so in compliance with operating procedures and adjustment quantities agreed to information presented on the count sheets.

KMD Operations:

1. Finding number one discussed above is also applicable to KMD.
2. The system generated cycle counts listed a total of fifty (50) stock codes for each count. However, on average only twenty-three (23) stock codes actually required physical counting on a daily basis, or 46% of stock codes generated by the system.
3. There were eleven (11) cycle counts performed, or 61% of population, where at least one of the initial counts reported was different than the quantity on hand in the perpetual inventory system. This requires Management to perform a re-count. The range of stock codes requiring re-counts was 1 stock code up to 4 stock codes, with the average number of re-counts being 2 stock codes. On a percentage basis, the range was 3.7% to 17.42%, with an average of 9.3%.
4. There was one count (Sept 27th) where the count sheet only included twenty-seven (27) stock codes, which was inconsistent with other count totals, which had counts for fifty (50) stock codes. There might have been a missing page from the counting packet.
5. There was no direct evidence of Management reviews of the count sheets on two (2) days. There were no review comments, which would suggest all of the counts were valid when compared to perpetual inventory records, but without signature/initials of the reviewer Audit cannot be certain of this fact. Audit also observed that the reviewer initialed each page of the counting report, but did not include the date of his review. Best practice and to ensure consistency across operations, would be for reviewing manager to sign/initial the forms, as well as include the date of their review. This would more tangible evidence of review, as well as verify the timeliness of the reviews
6. All cycle counts were properly performed blindly.
7. Any adjustments performed were done so in compliance with operating procedures and adjustment quantities agreed to information presented on the count sheets.

Audit Recommendations:

Findings/observations communicated above were consistent with findings at the Trolley Storeroom. Thus, Audit would refer readers to the Trolley Storeroom Report, as Recommendations and Management Responses would be the same.

7) Performance Monitoring, Reporting, and Communication

There are several key performance indicators (KPIs) organizations can utilize to assess inventory management. As such, Audit developed testing to a) establish what Management has determined as key performance indicators by which inventory management/storeroom operations are assessed, b) verify there is reporting around the KPIs, c) assess the frequency of the evaluation of performance in relation to the KPIs, d) determine whether current goals are being achieved, and e) verify KPIs are communicated and reviewed by appropriate levels of Management.

Findings/Observations and Audit Recommendations:

Audit would refer readers to the Trolley Storeroom Report, as Findings/Observations, Audit Recommendations, and Management Responses would be the same.

MANAGEMENT RESPONSES AND ACTION PLANS:

General Recommendation – Updating current SOP Narratives:

- b. After the auditor's consultative review, Management has begun the process of developing and updating current SOP narratives to help facilitate business continuity.

1) Inventory Receiving Procedures

- a. Management at both SDTC and SDTI agree with the recommendation of the audit suspending the use of direct delivery and limiting it for emergency situations. This will help procurement as well as the Stores Department by cutting down on the number of last minute requests.

Management has decided to implement and enforce procedures that include any requests created on purchase requisitions will be stock coded. By doing this, the part would have to be received into the inventory system and issued out. This would also allow Management the ability to track usage and take responsibility for managing all inventories necessary for daily operations and future inventory stock.

2) Inventory Requisition/Ordering Procedures

- a. The current ERP system (Ellipse) generates a "buy recommended order" on a daily basis which is printable at both SDTC and SDTI, and these reports are reviewed by the Storeroom Supervisors. At this time, each supervisor makes necessary changes based upon their discussions with the Maintenance department (due to current needs or initiatives) and Procurement department (based upon current lead times).

At SDTC, the next day, the report automatically prints at the IAD Storeroom and one more review takes place before it is sent to the Procurement department. This report fortunately has extended text to explain the changes and why we potentially go over the max amount which isn't visible within the system. These reports are now being retained by IAD (for both IAD and KMD) so that there is an auditable trail between the recommended order, changes to the recommended order and the final order by Procurement.

3) Security Controls: Physical Inventory and Building Security:

[REDACTED]

[REDACTED]

[REDACTED]



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

Agenda Item No. 12

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

HEWLETT-PACKARD STORAGE SOLUTION FOR MTS IN SUPPORT OF
ENTERPRISE RESOURCE PLANNING (ERP) PROJECT

RECOMMENDATION:

That the Board of Directors authorize the CEO to execute MTS Doc. No. G1521.0-13 (in substantially the same format as Attachment A) with Nth Generation Computing, Inc. to purchase two Hewlett-Packard 3PAR 7400 (4) Node Arrays, associated software, 24/7 support for five years, and the professional services required to install, configure, and test the equipment.

Budget Impact

The total cost of the new equipment and professional installation services would not exceed \$799,591.38 (Attachment B). The funding for the project would be split as follows:

Capital Improvement Project 11307 (New ERP System):	\$603,431.88
Operating Budget 661-53910:	\$196,160.00
Total:	\$799,591.38

DISCUSSION:

MTS is in the process of replacing both the IFAS and Ellipse applications. IFAS is used at the MTS corporate level for accounts payable, accounts receivable, etc., and Ellipse is primarily used by San Diego Transit Corporation and San Diego Trolley, Inc. for operations and maintenance, including work orders, fuel and oil, maintenance scheduling, etc. Both of these applications are going to be replaced with an Enterprise Resource Planning (ERP) system that will facilitate and automate functions across the entire organization.

MTS is purchasing the hardware to support the solution separately from the ERP solution itself. This storage solution purchase is in support of the ERP initiative and will provide the data-storage platform for the new system, databases, and associated data.

Per Federal Transit Administration (FTA) Circular 4220.1F, FTA encourages recipients and subrecipients to consider combining efforts in their procurements to obtain better pricing through larger purchases of goods and services. This cooperative approach achieves cost-effectiveness and efficiency and takes advantage of volume pricing achieved through competition.

Using Western States Contracting Alliance (WSCA) Cooperative Agreement for Computer Equipment, Peripherals & Related Services, awarded in September 1, 2009 through a Request for Proposals, and current until August 31, 2014, MTS obtained quotes from Hewlett Packard (HP), Nth Generation Computing, and Enterprise Computing Solutions.

HP's quote is based on WSCA's Cooperative Agreement No. B27164, while both Nth Generation Computing and Enterprise Computing Solutions are authorized resellers for HP products under the same WSCA agreement.

Nth Generation Computing offered the lowest quote on the same equipment, software, support, and installation services, which would provide MTS with a savings of \$177,523.80 over the second lowest bid.

Vendor	Cost
Enterprise Computing Solutions	\$1,186,768.31
HP	\$ 977,115.18
N th Generation Computing	\$ 799,591.38

Therefore, staff recommends that the Board authorize the CEO to execute MTS Doc. No. G1521.0-13 (in substantially the same format as Attachment A) with Nth Generation Computing, Inc. to purchase two Hewlett-Packard 3PAR 7400 (4) Node Arrays, associated software, 24/7 support for five years, and the professional services required to install, configure, and test the equipment.


Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. Draft MTS Doc. No. G1521.0-13
B. Nth Generation Computing Quote

STANDARD PROCUREMENT AGREEMENT

Att. A, AI 12, 3/12/13

G1521.0-13
CONTRACT NUMBER
CIP 11307
FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2013, in the State of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following, hereinafter referred to as "Contractor":

Name: Nth Generation Computing, Inc.Address: 17055 Camino San BernardoForm of Business: Corporation
(Corporation, partnership, sole proprietor, etc.)San Diego, CA 92127Telephone: (858) 451-2383Authorized person to sign contracts: Julie Leon Enterprise Account Manager
Name Title

The attached Standard Conditions are part of this Agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Provide (2) HP 3PAR 7400 (4) Node Arrays hardware and software; support seven (7) days, twenty-four (24) hours per day for five (5) years; and installation services as set forth in the Scope of Work, Nth Generation Computing Cost Proposal, and in accordance with the Standard Procurement Agreement, including Standard Conditions Procurement and Federal Requirements.

The contract term shall be effective April 1, 2013, through December 31, 2018.

Contractor shall submit monthly invoices based on deliverables for the hardware, software, and support. Payment terms shall be net 30 days from invoice date. The total cost of this contract shall not exceed \$799,591.38 without the express written consent of MTS.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer		Firm: _____
Approved as to form:		By: _____ Signature
By: _____ Office of General Counsel		Title: _____
AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
<u>\$799,591.38</u>	<u>CIP 11307</u>	<u>FY 13-19</u>

By: _____
Chief Financial Officer Date

(total pages, each bearing contract number)

SA-SERVICES REVISED (REV 1-13)



Generation Computing, Inc.

"Service and Technology to the NTH Degree"

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3/6/2013

Project Number 97470

Account Manager	Julie Leon	76590
Inside Sales Rep	Carol Herr	Quotation Number
Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	Fax 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White San Diego Metropolitan Transit System 100 16th St San Diego CA 92101	SDMTS		

Part Number	Description	Quotation Number	76590	Your Price	Item Total	T X
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HP Storage Solution for SDMTS

Primary Site - HP 3PAR 7400 4 Node Array

QR485A	1	HP 3PAR StoreServ 7400 4-N Storage Base	\$27,431.00	\$27,431.00	Y
QR487A	4	HP 3PAR 7000 2-pt 10G iSCSI/FCoE Adapter	\$1,966.00	\$7,864.00	Y
QR494A	20	HP M6710 450GB 6G SAS 10K 2.5in HDD	\$524.00	\$10,480.00	Y
BC795A	1	HP 3PAR 7400 Reporting Suite LTU	\$3,615.00	\$3,615.00	Y
BC796A	1	HP 3PAR 7400 App Suite for VMware LTU	\$3,615.00	\$3,615.00	Y
BC798A	1	HP 3PAR 7400 App Suite for SQL LTU	\$3,615.00	\$3,615.00	Y
BC799A	1	HP 3PAR 7400 App Suite for Oracle LTU	\$3,615.00	\$3,615.00	Y
BC773A	1	HP 3PAR 7400 OS Suite Base LTU	\$1,022.00	\$1,022.00	Y
BC774A	112	HP 3PAR 7400 OS Suite Drive LTU	\$204.00	\$22,848.00	Y
BC775A	1	HP 3PAR 7400 Replication Suite Base LTU	\$636.00	\$636.00	Y
BC776A	112	HP 3PAR 7400 Replication Suite Drive LTU	\$127.00	\$14,224.00	Y
BC777A	1	HP 3PAR 7400 Data Opt Suite Base LTU	\$867.00	\$867.00	Y
BC778A	112	HP 3PAR 7400 Data Opt Suite Drive LTU	\$173.00	\$19,376.00	Y
AM868B	2	HP 8/24 Base 16-ports Enabled SAN Switch	\$5,241.00	\$10,482.00	Y
AM868B:05Y	2	2.4m Jumper (IEC320 C13/C14, M/F CEE 22)			Y
QR490A	6	HP M6710 2.5in 2U SAS Drive Enclosure	\$2,528.00	\$15,168.00	Y
QR494A	60	HP M6710 450GB 6G SAS 10K 2.5in HDD	\$524.00	\$31,440.00	Y
QR491A	4	HP M6720 3.5in 4U SAS Drive Enclosure	\$2,528.00	\$10,112.00	Y

17055 Camino San Bernardo, San Diego, CA 92127 - 858-451-2383 - FAX 888-674-4684 - www.nth.com

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Generation Computing, Inc.

"Service and Technology to the NTH Degree"

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3/6/2013

Project Number **97470**

Account Manager	Julie Leon	76590
Inside Sales Rep	Carol Herr	Quotation Number
Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	Fax 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires
Stevan White		4/12/2013
San Diego Metropolitan Transit System		
100 16th St		
San Diego CA 92101		

Part Number	Description	Quotation Number	Your Price	Item Total	T X
QR499A	32 HP M6720 2TB 6G SAS 7.2K 3.5in NL HDD	76590	\$619.00	\$19,808.00	Y
QR516A	1 HP 3PAR 7000 Service Processor		\$4,148.00	\$4,148.00	Y
252663-D72	2 HP 24A High Voltage US/JP Modular PDU		\$231.00	\$462.00	Y
AJ837A	16 HP 15m Multi-mode OM3 LC/LC FC Cable				Y
C7536A	3 HP Ethernet 14ft CAT5e RJ45 M/M Cable		\$5.00	\$15.00	Y
QK734A	8 HP Premier Flex LC/LC OM4 2f 5m Cbl		\$92.00	\$736.00	Y
AJ716B	32 HP 8Gb Short Wave B-Series SFP+ 1 Pack		\$146.00	\$4,672.00	Y
				\$216,251.00	



"Service and Technology to the NTH Degree"

3/6/2013

Project Number 97470

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Account Manager	Julie Leon	76590
Inside Sales Rep	Carol Herr	Quotation Number
Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	Fax 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White			
San Diego Metropolitan Transit System			
100 16th St			
San Diego CA 92101			

Quotation Number 76590				T
Part Number	Description	Your Price	Item Total	X
HP NAS Gateway Cluster				
B7E00A	2 HP StoreEasy 3830 Gateway Storage	\$4,587.00	\$9,174.00	Y
662252-B21	2 HP DL380p Gen8 E5-2609 Kit	\$355.00	\$710.00	Y
647893-B21	8 HP 4GB 1Rx4 PC3L-10600R-9 Kit	\$76.00	\$608.00	Y
652503-B21	2 HP Ethernet 10Gb 2P 530SFP+ Adptr	\$540.00	\$1,080.00	Y
AJ764A	2 HP 82Q 8Gb Dual Port PCI-e FC HBA	\$1,500.00	\$3,000.00	Y
			\$14,572.00	



Generation Computing, Inc.

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3/6/2013

Project Number **97470**

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Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	Quotation Date
Fax	858-673-8431	

Quoted To:	Ship To:	Quotation Expires
Stevan White San Diego Metropolitan Transit System 100 16th St San Diego CA 92101		4/12/2013

Part Number	Description	Quotation Number	Your Price	Item Total	T X
		76590			
HA111A5	1 HP 5 YR 24/7 Proactive Support				N
HA111A5:300	1 Proactive Storage Services		\$23,238.00	\$23,238.00	N
HA111A5:9LJ	2 HP B-Series 8/8 and 8/24 Switch Support		\$1,294.00	\$2,588.00	N
HA111A5:RDD	1 HP 3PAR 7400 OS Suite Base LTU Supp		\$9,399.00	\$9,399.00	N
HA111A5:RDE	1 HP 3PAR 7400 RplcationSuite Bse LTU Sup		\$5,847.00	\$5,847.00	N
HA111A5:RDH	1 HP 3PAR 7400 Data Opt Suite Base LTU Sup		\$7,277.00	\$7,277.00	N
HA111A5:RDQ	1 HP 3PAR 7400 Reporting Suite LTU Supp		\$2,851.00	\$2,851.00	N
HA111A5:RDR	3 HP 3PAR 7400 App Suite LTU Supp		\$2,851.00	\$8,553.00	N
HA111A5:RDS	1 HP 3PAR 7000 Service Processor Supp		\$902.00	\$902.00	N
HA111A5:WSF	336 HP 3PAR Internal Entitlement Purpose				N
HA111A5:WUS	80 HP 3PAR 7000 Drives under 1TB Support		\$92.00	\$7,360.00	N
HA111A5:WUT	32 HP 3PAR 7000 Drives over 1TB Support		\$114.00	\$3,648.00	N
HA111A5:WUW	10 HP 3PAR 7000 Drive Enclosure Support		\$536.70	\$5,367.00	N
HA111A5:WUX	4 HP 3PAR 7000 Adapter Support		\$434.00	\$1,736.00	N
HA111A5:WUY	1 HP 3PAR 7400 4-node Storage Base Support		\$5,970.00	\$5,970.00	N
HA111A5:QBQ	2 HP StoreEasy 3830 supp		\$2,280.00	\$4,560.00	N
HG921A1:12P	1 HP Proactive Select Credit SVC		\$6,624.00	\$6,624.00	N
HF383A1	3 HP CP Svc for Storage Training		\$720.00	\$2,160.00	N
				\$98,080.00	

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3/6/2013

Project Number 97470

Account Manager	Julie Leon	76590
Inside Sales Rep	Carol Herr	Quotation Number
Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	Fax 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White			
San Diego Metropolitan Transit System			
100 16th St			
San Diego CA 92101			

Part Number	Description	Quotation Number	Your Price	Item Total	T X
Professional Services					
HA114A1:5TS	1 HP Startup 3PAR 7400 4-Nd Strg Base SVC	76590	\$2,405.00	\$2,405.00	N
HA114A1:5TU	4 HP Startup 3PAR 7000 iSCSI-FCoE Adpt SVC		\$258.00	\$1,032.00	N
HA113A1:5GA	2 LowEnd SAN/Edge Switch/HAFM Installation		\$393.00	\$786.00	N
HA114A1:5TV	6 HP Startup 3PAR 7000 2U SAS Enclosre SVC		\$344.00	\$2,064.00	N
HA114A1:5TW	4 HP Startup 3PAR 7000 4U SAS Enclosre SVC		\$344.00	\$1,376.00	N
HA113A1:5BW	2 ProLiant Add On Options Installation SVC		\$211.00	\$422.00	N
HA124A1:5TK	1 HP Startup 3PAR 7000 App Ste Oracle SVC		\$6,283.00	\$6,283.00	N
HA124A1:5TH	1 HP Startup 3PAR 7000 App Ste VMWare SVC		\$1,806.00	\$1,806.00	N
HA124A1:5TL	1 HP Startup 3PAR 7000 App Ste SQL SVC		\$6,283.00	\$6,283.00	N
HA124A1:5TM	1 HP Startup 3PAR 7000 Reporting Ste SVC		\$2,749.00	\$2,749.00	N
HA124A1:5TA	1 HP Startup 3PAR 7000 Data Opt Ste SVC		\$4,084.00	\$4,084.00	N
HA124A1:5TN	1 HP Startup 3PAR 7000 Replication Ste SVC		\$4,084.00	\$4,084.00	N
				\$33,374.00	



Generation Computing, Inc.

"Service and Technology to the NTH Degree"

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3/6/2013

Project Number 97470

Account Manager	Julie Leon	76590
Inside Sales Rep	Carol Herr	Quotation Number
Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	FAX 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White			
San Diego Metropolitan Transit System			
100 16th St			
San Diego CA 92101			

Part Number	Description	Quotation Number	Your Price	Item Total	T X
76590					
Secondary Site - HP 3PAR 7400 4 Node Array					
QR485A	1 HP 3PAR StoreServ 7400 4-N Storage Base		\$27,431.00	\$27,431.00	Y
QR487A	4 HP 3PAR 7000 2-pt 10G iSCSI/FCoE Adapter		\$1,966.00	\$7,864.00	Y
QR494A	20 HP M6710 450GB 6G SAS 10K 2.5in HDD		\$524.00	\$10,480.00	Y
BC795A	1 HP 3PAR 7400 Reporting Suite LTU		\$3,615.00	\$3,615.00	Y
BC796A	1 HP 3PAR 7400 App Suite for VMware LTU		\$3,615.00	\$3,615.00	Y
BC798A	1 HP 3PAR 7400 App Suite for SQL LTU		\$3,615.00	\$3,615.00	Y
BC799A	1 HP 3PAR 7400 App Suite for Oracle LTU		\$3,615.00	\$3,615.00	Y
BC773A	1 HP 3PAR 7400 OS Suite Base LTU		\$1,022.00	\$1,022.00	Y
BC774A	112 HP 3PAR 7400 OS Suite Drive LTU		\$204.00	\$22,848.00	Y
BC775A	1 HP 3PAR 7400 Replication Suite Base LTU		\$636.00	\$636.00	Y
BC776A	112 HP 3PAR 7400 Replication Suite Drive LTU		\$127.00	\$14,224.00	Y
BC777A	1 HP 3PAR 7400 Data Opt Suite Base LTU		\$867.00	\$867.00	Y
BC778A	112 HP 3PAR 7400 Data Opt Suite Drive LTU		\$173.00	\$19,376.00	Y
AM868B	2 HP 8/24 Base 16-ports Enabled SAN Switch		\$5,241.00	\$10,482.00	Y
AM868B:05Y	2 2.4m Jumper (IEC320 C13/C14, M/F CEE 22)				Y
QR490A	6 HP M6710 2.5in 2U SAS Drive Enclosure		\$2,528.00	\$15,168.00	Y
QR494A	60 HP M6710 450GB 6G SAS 10K 2.5in HDD		\$524.00	\$31,440.00	Y
QR491A	4 HP M6720 3.5in 4U SAS Drive Enclosure		\$2,528.00	\$10,112.00	Y
QR499A	32 HP M6720 2TB 6G SAS 7.2K 3.5in NL HDD		\$619.00	\$19,808.00	Y

17055 Camino San Bernardo, San Diego, CA 92127 - 858-451-2383 - FAX 888-674-4684 - www.nth.com

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"Service and Technology to the NTH Degree"

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3/6/2013

Project Number 97470

Account Manager	Julie Leon	76590
Inside Sales Rep.	Carol Herr	Quotation Number
Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	Fax 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White			
San Diego Metropolitan Transit System			
100 16th St			
San Diego CA 92101			

Part Number	Description	Quotation Number	Your Price	Item Total	T X
QR516A	1 HP 3PAR 7000 Service Processor	76590	\$4,148.00	\$4,148.00	Y
252663-D72	2 HP 24A High Voltage US/JP Modular PDU		\$231.00	\$462.00	Y
AJ837A	16 HP 15m Multi-mode OM3 LC/LC FC Cable		\$110.00	\$1,760.00	Y
C7536A	3 HP Ethernet 14ft CAT5e RJ45 M/M Cable		\$5.00	\$15.00	Y
QK734A	8 HP Premier Flex LC/LC OM4 2f 5m Cbl		\$92.00	\$736.00	Y
AJ716B	32 HP 8Gb Short Wave B-Series SFP+ 1 Pack		\$146.00	\$4,672.00	Y
				\$218,011.00	

**Generation Computing, Inc.**

"Service and Technology to the NTH Degree"

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3/6/2013

Project Number 97470

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Inside Sales Rep	Carol Herr	Quotation Number
Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	Fax 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White			
San Diego Metropolitan Transit System			
100 16th St			
San Diego CA 92101			
SDMTS			

Quotation Number 76590				T
Part Number	Description	Your Price	Item Total	X
HP NAS Gateway Cluster				
B7E00A	2 HP StoreEasy 3830 Gateway Storage	\$4,587.00	\$9,174.00	Y
662252-B21	2 HP DL380p Gen8 E5-2609 Kit	\$355.00	\$710.00	Y
647893-B21	8 HP 4GB 1Rx4 PC3L-10600R-9 Kit	\$76.00	\$608.00	Y
652503-B21	2 HP Ethernet 10Gb 2P 530SFP+ Adptr	\$540.00	\$1,080.00	Y
AJ764A	2 HP 82Q 8Gb Dual Port PCI-e FC HBA	\$1,500.00	\$3,000.00	Y
			\$14,572.00	



"Service and Technology to the NTH Degree"

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3/6/2013

Project Number 97470

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Email Address	Carol.herr@nth.com	2/21/2013
Phone	858-451-2383x172	Fax 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White			
San Diego Metropolitan Transit System			
100 16th St			
San Diego CA 92101			

Part Number	Description	Quotation Number	Your Price	Item Total	T X
HA111A5	1 HP 5 YR 24/7 Proactive Support	76590			N
HA111A5:300	1 Proactive Storage Services		\$23,238.00	\$23,238.00	N
HA111A5:9LJ	2 HP B-Series 8/8 and 8/24 Switch Support		\$1,294.00	\$2,588.00	N
HA111A5:RDD	1 HP 3PAR 7400 OS Suite Base LTU Supp		\$9,399.00	\$9,399.00	N
HA111A5:RDE	1 HP 3PAR 7400 RplicationSuite Bse LTU Sup		\$5,847.00	\$5,847.00	N
HA111A5:RDH	1 HP 3PAR 7400 Data Opt Suite Base LTU Sup		\$7,277.00	\$7,277.00	N
HA111A5:RDQ	1 HP 3PAR 7400 Reporting Suite LTU Supp		\$2,851.00	\$2,851.00	N
HA111A5:RDR	3 HP 3PAR 7400 App Suite LTU Supp		\$2,851.00	\$8,553.00	N
HA111A5:RDS	1 HP 3PAR 7000 Service Processor Supp		\$902.00	\$902.00	N
HA111A5:WSF	336 HP 3PAR Internal Entitlement Purpose				N
HA111A5:WUS	80 HP 3PAR 7000 Drives under 1TB Support		\$92.00	\$7,360.00	N
HA111A5:WUT	32 HP 3PAR 7000 Drives over 1TB Support		\$114.00	\$3,648.00	N
HA111A5:WUW	10 HP 3PAR 7000 Drive Enclosure Support		\$536.70	\$5,367.00	N
HA111A5:WUX	4 HP 3PAR 7000 Adapter Support		\$434.00	\$1,736.00	N
HA111A5:WUY	1 HP 3PAR 7400 4-node Storage Base Support		\$5,970.00	\$5,970.00	N
HA111A5:QBQ	2 HP StoreEasy 3830 supp		\$2,280.00	\$4,560.00	N
HG921A1:12P	1 HP Proactive Select Credit SVC		\$6,624.00	\$6,624.00	N
HF383A1	3 HP CP Svc for Storage Training		\$720.00	\$2,160.00	N
				\$98,080.00	



Generation Computing, Inc.

"Service and Technology to the NTH Degree"

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3/6/2013

Project Number **97470**

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Phone	858-451-2383x172	FAX 858-673-8431
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Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White			
San Diego Metropolitan Transit System			
100 16th St			
San Diego CA 92101			

Part Number	Description	Quotation Number	Your Price	Item Total	T X
		76590			
HA124A1	1 Professional Services				N
HA114A1:5TS	1 HP Startup 3PAR 7400 4-Nd Strg Base SVC		\$2,406.00	\$2,406.00	N
HA114A1:5TU	4 HP Startup 3PAR 7000 iSCSI-FCoE Adpt SVC		\$258.00	\$1,032.00	N
HA113A1:5GA	2 LowEnd SAN/Edge Switch/HAFM Installation		\$393.00	\$786.00	N
HA114A1:5TV	6 HP Startup 3PAR 7000 2U SAS Enclosre SVC		\$344.00	\$2,064.00	N
HA114A1:5TW	4 HP Startup 3PAR 7000 4U SAS Enclosre SVC		\$344.00	\$1,376.00	N
HA113A1:5BW	2 ProLiant Add On Options Installation SVC		\$180.00	\$360.00	N
HA124A1:5TK	1 HP Startup 3PAR 7000 App Ste Oracle SVC		\$6,283.00	\$6,283.00	N
HA124A1:5TH	1 HP Startup 3PAR 7000 App Ste VMWare SVC		\$1,806.00	\$1,806.00	N
HA124A1:5TL	1 HP Startup 3PAR 7000 App Ste SQL SVC		\$6,283.00	\$6,283.00	N
HA124A1:5TM	1 HP Startup 3PAR 7000 Reporting Ste SVC		\$2,763.00	\$2,763.00	N
HA124A1:5TA	1 HP Startup 3PAR 7000 Data Opt Ste SVC		\$4,084.00	\$4,084.00	N
HA124A1:5TN	1 HP Startup 3PAR 7000 Replication Ste SVC		\$4,084.00	\$4,084.00	N
N-STORAGE-CUST	1 Nth Services to deliver project management, design, configuration, delivery, racking, system integration, testing, validation and knowledge transfer. This service is in addition to the HP 3PAR startup services.		\$34,621.00	\$34,621.00	N
				\$67,948.00	



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3/6/2013

Project Number 97470

Account Manager	Julie Leon	76590
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Phone	858-451-2383x172	Fax 858-673-8431
		Quotation Date

Quoted To:	Ship To:	Quotation Expires	4/12/2013
Stevan White			
San Diego Metropolitan Transit System			
100 16th St			
San Diego CA 92101			

Part Number	Description	Quotation Number	Your Price	Item Total	T X
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Thank you for allowing NTH Generation to provide you with the above quotation.

Please call us at 800-548-1883 if you require additional information or changes to this quotation.

This quotation is the sole property of Nth Generation Computing, Inc., and is intended as an offer to sell goods and services to the client named in the quote. This document may not be reproduced, or provided to parties outside of the client's organization, without written consent of Nth Generation Computing, Inc.

MTS Agreement shall control procurement.

We look forward to working with you in the future!

Sincerely,

Julie Leon

Shipping Method	NTH Generation	Best Way
Payment Terms	UNDER REVIEW	
Customer Acceptance by:	Title	Date Accepted

Quotation Sub Total	\$760,888.00
Tax Rate 8.00% Tax	\$37,072.48
Est. Shipping (See T&C)	\$1,630.90
Quotation Total	\$799,591.38

Remit to: Same Address
DUNNS #: 78-1123211
Federal ID #: 33-0451285
CAGE Code: 0YVL1
FOB: Destination
Ship Via: Fedex Ground/UPS / Your designated carrier
Terms: Net 30 (On Approved Credit)
NTH accepts VISA/MC



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

Agenda Item No. 13

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

INCREASED AUTHORIZATION FOR LEGAL SERVICES – TROVILLION, INVEISS & DEMAKIS, APC

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1433.2-12 with Trovillion, Inveiss & Demakis, APC to pay current and future legal expenses throughout the remainder of fiscal year 2013. This will include ratification of prior contracts/amendments entered into under the CEO's authority.

Budget Impact

Approval of this contract amendment would increase the full contract value with Trovillion, Inveiss & Demakis, APC by \$30,000 from \$95,000 to \$125,000. Funding for the recommended \$30,000 contract increase has been programmed in the FY 2013 budget.

DISCUSSION:

Pursuant to Board Policy No. 52 (Procurement of Goods and Services), the CEO may enter into contracts with service providers for up to \$100,000. The Board must approve all agreements in excess of \$100,000.

On December 8, 2011, the Board established a panel of qualified law firms to assist MTS, San Diego Trolley, Inc. (SDTI), and San Diego Transit Corporation (SDTC) with various legal matters on an as-needed basis. Thereafter, MTS began contracting with 16 of the approved law firms for designated amounts depending on current and anticipated needs.

A contract was established with Trovillion, Inveiss & Demakis, APC for up to a 7-year period (5-year base with two 1-year options) effective January 1, 2012, through December 31, 2016, for the base period. Option years 1 and 2 are exercisable at MTS's sole discretion, which is effective January 1, 2017, through December 31, 2018. An initial contract value of \$95,000 was established with this firm. There is currently \$7,228.89 remaining of this amount for legal services paid through June 30, 2013.

Attorneys Steve Wismar and Nicole Demakis of Trovillion, Inveiss & Demakis, APC have successfully represented and defended MTS, SDTC, and SDTI in numerous workers' compensation litigation cases. The firm currently has 22 files.

Therefore, staff is requesting that the Board authorize the CEO to execute MTS Doc. No. G1433.2-12 with Trovillion, Inveiss & Demakis, APC to pay current and future legal expenses throughout the remainder of fiscal year 2013. This will include ratification of prior contracts/amendments entered into under the CEO's authority.


Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Draft MTS Doc. No. G1433.2-12

DRAFT

March 21, 2013

MTS Doc. No. G1433.2-12
LEG 490 (PC 50633)

Ms. Nicole Demakis
Partner
Trovillion, Inveiss and Demakis, APC
1010 Second Avenue, Suite 1600
San Diego, CA 92101

Dear Ms. Demakis:

Subject: AMENDMENT NO. 2 TO MTS DOC. NO. G1433.0-12; LEGAL SERVICES – WORKERS' COMPENSATION

This shall serve as Amendment No. 2 to our agreement for legal services as further described below.

SCOPE

Continue to provide legal services/worker's compensation in accordance with the terms and conditions of the original agreement (MTS Doc. No. G1433.0-12).

SCHEDULE

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

PAYMENT

This contract amendment shall authorize additional costs not to exceed \$30,000 for legal services. The total value of this contract, including this amendment, shall be in the amount of \$125,000. This amount shall not be exceeded without written approval from MTS.

Please sign and return the copy marked "original" to the Contracts Specialist at MTS. All other terms and conditions shall remain the same and in effect. Retain the other copy for your records.

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

Nicole Demakis
Trovillion, Inveiss and Demakis, APC

Date: _____

ccs: K. Landers
S. Lockwood
A. Liebengood
C. Aquino
Procurement File



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

Agenda Item No. 14

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

PROPERTY INSURANCE RENEWAL

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer to renew the property insurance coverage for the Metropolitan Transit System (MTS), San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI) with the California State Association of Counties – Excess Insurance Authority (CSAC-EIA) Property Insurance Program, effective March 31, 2013, through March 31, 2014, with various coverage deductibles of \$25,000 (real estate and personal contents property), \$100,000 (bus fleet), \$250,000 (light rail fleet), and \$1,500,000 (roads, bridges, and tunnels).

Budget Impact

The preliminary renewal premium would be a maximum of \$1,140,946, which is a 15.72% or \$155,038 increase over last year's premium of \$985,908. The premium is anticipated to be charged against the budgets of MTS (\$4,247), SDTC (\$222,610), and SDTI (\$914,089). The premium will be split between fiscal years 2013 and 2014 as follows:

PROPERTY PREMIUM ESTIMATED FISCAL YEAR SPLIT			
Policy Period: 03/31/13 - 03/31/14			
Agency	FY 13	FY 14	Total Premium
MTS	\$1,062	\$3,185	\$4,247
SDTC	\$18,551	\$204,059	\$222,610
SDTI	\$228,522	\$685,567	\$914,089
TOTAL	\$248,135	\$892,811	\$1,140,946

DISCUSSION:

MTS's current property insurance policy will expire on March 31, 2013. This line of coverage insures against physical damage, vandalism and theft caused to the real and personal property of MTS, SDTC, and SDTI. The coverage is obtained through the California State Association of Counties – Excess Insurance Authority (CSAC-EIA), which is a joint purchase group of 52



California counties and 29 other California public entities. SDTC has been insured through this group since 1993. Effective November 1, 1997, all MTS entities became insured with CSAC-EIA.

The CSAC-EIA Property Program is a complex layering of multiple insurance carriers, including both domestic and international insurers. Some of the CSAC-EIA members, including both the City and County of San Diego, have purchased earthquake insurance in the past. MTS and its entities have traditionally elected not to purchase this optional coverage.

Due to the size of its membership, the CSAC-EIA Program has tremendous premium purchasing power. Special form perils coverage provides risk protection on most perils (including terrorism) and causes of loss unless specifically excluded by the policy. Some of the perils excluded in MTS's program include earthquake, wear and tear, pollution, war risk, employee fraud, nuclear radiation, and loss to landscaping, money, or watercraft. These exclusions do not include every peril or property specifically excluded; however, they are examples of the types of losses that would not be covered.

The proposed renewal policy carries a blanket limit of \$600 million, which applies to perils for any one occurrence. Under the proposed renewal, the following occurrence-based deductibles would apply: 1) \$25,000 for real estate & personal contents property; 2) \$100,000 for bus collisions; 3) \$250,000 for light rail vehicle collisions; 4) \$250,000 comprehensive coverage on the combined rolling stock (buses and light rail vehicles); and 5) \$1.5 million on roads, bridges, and tunnels. Loss valuation is generally calculated on a replacement-cost basis.

This year's premium is increasing by approximately \$155,038 or 15.72% over the previous year. The main driver of the premium increase is a rise in the overall bus inventory values by \$15.6 million as well as an expansion of the light rail vehicle inventory by \$126 million. To offset this year's premium increase, staff is proposing a change in the light rail vehicle insurance deductible from \$100,000 to \$250,000 per occurrence. Without this recommended change, the premium would increase by about 24.57% or \$242,241. In reviewing the loss history over the past 10 years, there has only been one property insurance claim filed for a light rail vehicle collision. Therefore, staff believes that increasing the light rail vehicle collision deductible is prudent.

A secondary cause of the overall premium increase is the impact that natural disasters have had globally on the property insurance and flood insurance markets over the past couple of years. Premium increases across the world have been ranging between 6% and 25%. The reasons for the firm market include:

1. Over \$100 billion in catastrophe losses worldwide in 2011 and 2012
2. Majority of carriers' combined ratios exceeding 100%
3. Higher reinsurance costs in 2013
4. Minimal returns on investments



Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Preliminary Premium Allocation for MTS, SDTC, & SDTI

*****PRELIMINARY PREMIUM ALLOCATION*****

**CSAC EXCESS INSURANCE AUTHORITY
PROPERTY PROGRAM
POLICY TERM: March 31, 2013 to March 31, 2014**

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM - METROPOLITAN TRANSIT DEVELOPMENT
BOARD**

Reflecting a 5.6% reduction in premium.

DATE: March 12, 2013

REASON FOR REVISION OF PREMIUM ALLOCATION: 2013/2014 UPDATED RENEWAL ESTIMATE

2013/2014 TOTAL ANNUAL PREMIUM:	\$4,247
2012/2013 TOTAL ANNUAL PREMIUM:	\$4,367
INCREASE (DECREASE) IN ANNUAL PREMIUM:	\$120
2013/2014 TOTAL REPORTED INSURABLE VALUES:	\$15,685,992
2012/2013 TOTAL REPORTED INSURABLE VALUES:	\$15,572,452
PERCENTAGE INCREASE (DECREASE) IN TOTAL INSURED VALUES:	0.73%

- CALCULATIONS -			
COVERAGE DESCRIPTION	DECLARED VALUES	RATE (\$/100)	ANNUAL PREMIUM
All Risk incl. Flood and Deductible Pool Contribution	\$15,395,523	0.0206	\$2,994
Terrorism, Excess Boiler and Machinery and Brush Fire (Miscellaneous Other Coverages)			\$699
OPTIONAL COVERAGES:			
A. Earthquake per schedule including Rooftop (If applicable)	\$0	0.0000	\$0
B. Licensed Vehicles	\$290,470	0.1800	\$494
Buses (Part of Coverage B. Licensed Vehicles)	\$0	0.1600	\$0
C. Mobile Equipment (Non-highway licensed)	\$0	0.1500	\$0
D. Fine Arts (scheduled)	\$0	0.0206	\$0
E. Green Building Coverage	N/A	N/A	\$0
Total Estimated Annual Premium			\$4,169
Estimated Taxes and Fees			\$23
EIA Administration Fee			\$53
Pre-Paid Balance Adjustment			\$2
No Claims Bonus (2011/12)			\$0
ESTIMATED COLLECTIBLE PREMIUM			\$4,247

*****PRELIMINARY PREMIUM ALLOCATION*****

**CSAC EXCESS INSURANCE AUTHORITY
PROPERTY PROGRAM
POLICY TERM: March 31, 2013 to March 31, 2014**

SAN DIEGO METROPOLITAN TRANSIT SYSTEM - SAN DIEGO TRANSIT CORPORATION****Reflecting a 5.6% reduction in premium.******DATE: March 12, 2013****REASON FOR REVISION OF PREMIUM ALLOCATION: 2013/2014 UPDATED RENEWAL ESTIMATE**

2013/2014 TOTAL ANNUAL PREMIUM:	\$222,610
2012/2013 TOTAL ANNUAL PREMIUM:	\$214,005
INCREASE (DECREASE) IN ANNUAL PREMIUM:	\$8,605
2013/2014 TOTAL REPORTED INSURABLE VALUES:	\$182,473,147
2012/2013 TOTAL REPORTED INSURABLE VALUES:	\$177,808,186
PERCENTAGE INCREASE (DECREASE) IN TOTAL INSURED VALUES:	2.62%

- CALCULATIONS -			
COVERAGE DESCRIPTION	DECLARED VALUES	RATE (\$/100)	ANNUAL PREMIUM
All Risk incl. Flood and Deductible Pool Contribution	\$68,812,909	0.0604	\$39,265
Terrorism, Excess Boiler and Machinery and Brush Fire (Miscellaneous Other Coverages)			\$8,137
OPTIONAL COVERAGES:			
A. Earthquake per schedule including Rooftop (if applicable)	\$0	0.0000	\$0
B. Licensed Vehicles	\$1,053,803	0.1800	\$1,791
Buses (Part of Coverage B. Licensed Vehicles)	\$112,606,435	0.1600	\$170,081
C. Mobile Equipment (Non-highway licensed)	\$0	0.1500	\$0
D. Fine Arts (scheduled)	\$0	0.0804	\$0
E. Green Building Coverage	N/A	N/A	\$0
Total Estimated Annual Premium			\$218,337
Estimated Taxes and Fees			\$1,399
EIA Administration Fee			\$2,763
Pre-Paid Balance Adjustment			\$111
No Claims Bonus (2011/12)			\$0
ESTIMATED COLLECTIBLE PREMIUM			\$222,610

*****PRELIMINARY PREMIUM ALLOCATION*****

**CSAC EXCESS INSURANCE AUTHORITY
PROPERTY PROGRAM
POLICY TERM: March 31, 2013 to March 31, 2014**

SAN DIEGO METROPOLITAN TRANSIT SYSTEM - SAN DIEGO TROLLEY, INC.****Reflecting a 5.6% reduction in premium, including a \$65,000 deductible credit and \$17,000 allocation credit.******DATE: March 12, 2013**

REASON FOR REVISION OF PREMIUM ALLOCATION: 2013/2014 UPDATED RENEWAL ESTIMATE

2013/2014 TOTAL ANNUAL PREMIUM:	\$914,089
2012/2013 TOTAL ANNUAL PREMIUM:	\$756,168
INCREASE (DECREASE) IN ANNUAL PREMIUM:	\$157,921
2013/2014 TOTAL REPORTED INSURABLE VALUES:	\$1,209,086,288
2012/2013 TOTAL REPORTED INSURABLE VALUES:	\$1,066,704,857
PERCENTAGE INCREASE (DECREASE) IN TOTAL INSURED VALUES:	13.35%

- CALCULATIONS -			
COVERAGE DESCRIPTION	DECLARED VALUES	RATE (\$/100)	ANNUAL PREMIUM
All Risk incl. Flood and Deductible Pool Contribution	\$668,460,081	0.0175	\$110,482
Terrorism, Excess Boiler and Machinery and Brush Fire (Miscellaneous Other Coverages)			\$53,913
OPTIONAL COVERAGES:			
A. Earthquake per schedule including Rooftop (if applicable)	\$0	0.0000	\$0
B. Licensed Vehicles	\$2,164,417	0.1800	\$3,678
Buses (Part of Coverage B. Licensed Vehicles)	\$537,461,790	0.1600	\$811,782
C. Mobile Equipment (Non-highway licensed)	\$1,000,000	0.1500	\$1,416
D. Fine Arts (scheduled)	\$0	0.0175	\$0
E. Green Building Coverage	N/A	N/A	\$0
Total Estimated Annual Premium			\$828,720
Estimated Taxes and Fees			\$5,212
EIA Administration Fee			\$10,485
Balance Adjustments (Includes Deductible credits)			\$69,672
No Claims Bonus (2011/12)			\$0
ESTIMATED COLLECTIBLE PREMIUM			\$914,089



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

Agenda Item No. 15

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

AUTHORIZE EXECUTION AND AMENDMENT OF SITE LEASE IN CONNECTION WITH ISSUANCE AND SALE OF LEASE REVENUE BONDS AND LEASE REVENUE REFUNDING BONDS AND OTHER DOCUMENTS BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO

RECOMMENDATION:

That the Board of Directors adopt Resolution No. 13-8 (Attachment A) authorizing the Chief Executive Officer (CEO) to execute a Site Lease, and any other necessary documents, with the City of San Diego (City) as part of the City's refunding of the lease revenue bonds used to finance the 1993 construction of the light rail extension to the Old Town Transit Center.

Budget Impact

None. The bonds being refunded are paid for by the City. This action facilitates a refinancing of the existing bonds to a lower rate of interest, potentially saving the City \$1.3 million over the remaining ten-year term of the bonds. A reappraisal of the MTS properties pledged in support of the bonds may result in only one property being pledged based on an increase in property values and a decrease in the principal amount of the bond. This would result in less MTS property pledged in support of the bonds.

DISCUSSION:

MTS and the City, through the City of San Diego/MTDB Authority (a joint powers authority), previously financed a portion of the 1993 acquisition and construction of the Old Town Light Rail Transit Extension Project. This resulted in the joint powers authority issuing \$19,515,000 in lease revenue bonds (30-year term) secured by two MTS-owned properties: a portion of the Old Town trolley right-of-way and a portion of the MTS maintenance yard located at 1535 Newton Avenue. Through this financing method, the City committed to repaying the bonds. In 2003, the joint powers authority refunded (refinanced) the bonds,

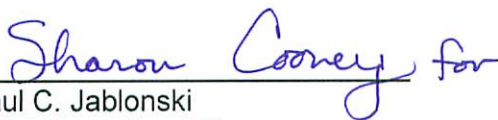
1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

then at a principal amount of \$15,255,000. As of February 19, 2013, the current principal amount on the bonds was \$10,025,000 with a final maturity date of June 1, 2023. At the time of the proposed 2013 refunding, the par amount of the bonds is estimated at \$9,300,000.

The City would like to refund the bonds and refinance at a lower interest rate without changing the final maturity date of the bonds (June 1, 2023) applicable to the MTS property. In order to allow the City to refinance this debt in the most efficient manner possible, it is proposed that the City conduct the proposed refunding through its Public Facilities Financing Authority instead of the joint powers authority. Since the City is the entity committed to paying the bond costs, MTS staff does not oppose this request. On March 11, 2013 (City of San Diego Docket Item-S401), the City took its first step toward refunding this and other bonds. (See City of San Diego Staff Report dated February 19, 2013—Attachment B) The City intends to refund and issue new lease revenue bonds for the Old Town Light Rail Trolley Extension Project and the City's 2003 Balboa Park/Mission Bay Park Certificates of Participation. The total lease revenue bond refunding for the two projects is limited to a not-to-exceed amount of \$15.5 million. The amount secured by the MTS properties (the amount associated with the Old Town Light Rail Trolley Extension Project) is \$8.5 million.

Through this action, the MTS Board will authorize the CEO to execute a Site Lease between MTS and the Public Facilities Financing Authority of the City leasing the underlying land rights for designated MTS properties to the Authority as part of the lease revenue bond refunding transaction. The draft Site Lease attached to Resolution No. 13-8 will be updated prior to execution to include the following items: insert dates for the Site Lease and other documents listed in the Site Lease, the exact term of the Site Lease, and the description of the MTS property encumbered by the Site Lease. The property encumbered will depend upon updated appraisals to be prepared closer to the refunding deadline. In the event that only one of the previously pledged MTS properties is necessary to support the \$8.5 million refunded lease bond amount, only one MTS property will be included in the final Site Lease. Other modifications may be made to the draft Site Lease to further clarify terms or protect MTS interests in the transaction.

 Sharon Cooney for

Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. Resolution No. 13-8
B. City of San Diego Report to the City Council

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION OF NECESSITY NO. 13-8

Resolution of the San Diego Metropolitan Transit System Authorizing the Execution and Delivery of an MTS Site Lease in Connection with the Issuance and Sale by the Public Facilities Financing Authority of the City of San Diego of its Lease Revenue Bonds and Lease Revenue Refunding Bonds and Approving Other Documents and Actions in Connection Therewith

WHEREAS, The City of San Diego (the "City") and the San Diego Metropolitan Transit System ("MTS") formed the City of San Diego/MTDB Authority (the "Authority") to finance the construction of public capital improvements, including public mass transit guideways, public transit systems, and related transportation facilities and services; and

WHEREAS, the Authority issued its 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) (the "2003 Lease Revenue Refunding Bonds"); and

WHEREAS, the City desires to refund the 2003 Lease Revenue Refunding Bonds (the "Refunding"), which financed the MTS Old Town Trolley Rail; and

WHEREAS, to facilitate the Refunding, MTS intends to lease certain interest in real property owned by MTS (the "MTS Property"), currently encumbered for the 2003 Lease Revenue Refunding Bonds, to the Public Facilities Financing Authority of the City of San Diego ("PFFA") pursuant to the 2013 Site Lease (the "MTS Site Lease") (Attachment A), by and between MTS and PFFA, subject to MTS's retained rights in the MTS Site Lease; and

WHEREAS, PFFA will lease the MTS Property, along with certain other real property belonging to the City, together with the City-owned improvements located thereon, to the City pursuant to the Facilities Lease, dated as of July 1, 2012, as it may be amended pursuant to its terms, including by the First Amendment to Facilities Lease (as amended, the "Lease"), each by and between the City and PFFA; and

WHEREAS, MTS is authorized to undertake the actions described in this Resolution pursuant to the laws of the State of California.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the MTS Board of Directors (the "Board") as follows:

1. The Board hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

2. The proposed form of the MTS Site Lease, which is on file with the office of the Clerk of the Board, in substantially the form attached as Attachment A, with such additions and changes therein as the Chairman of the Board, the Chief Executive Officer, the General Counsel, and the Chief Financial Officer or any of their respective designees (each, an "Authorized Officers") may require or approve, such approval to be conclusively evidenced by the execution and delivery of the MTS Site Lease on behalf of MTS.

3. All actions heretofore taken by any Authorized Officer or by any officers, employees, agents or directors of MTS with respect to transactions contemplated by this Resolution are hereby approved, confirmed and ratified. Any Authorized Officer and other officers, employees, agents, and directors of MTS, and each of the foregoing acting alone or through their specified designee, are hereby

authorized and directed, for and in the name and on behalf of MTS, to do any and all things, take any and all actions, and execute and deliver such documents, agreements, and certificates (including termination agreements relating to the 2003 Lease Revenue Refunding Bonds), which they, or any of them, may deem necessary or advisable to effectuate the purposes of this Resolution and to consummate the transactions authorized hereby. In addition, any Authorized Officer is hereby authorized to approve additions and changes to the MTS Site Lease and any other documents authorized by this Resolution, as such Authorized Officer shall determine to be necessary and desirable or may require or approve and believes to be in the best interests of MTS, such determination shall be conclusively evidenced by the execution and delivery of such documents by MTS.

4. This Resolution shall take effect immediately upon its adoption.

[Remainder of Page Left Intentionally Blank]

PASSED AND ADOPTED by the MTS Board of Director this ____ day of _____ 2013
by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairperson
San Diego Metropolitan Transit System

Filed By:

Approved as to form:

Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

Attachment: A. Site Lease

Attachment A

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
Attn: Charles C. Wolf)
Nixon Peabody LLP)
555 W. Fifth Street, 46th Floor)
Los Angeles, CA 90013)
_____)

(Space above for Recorder's Use)

This document is recorded for the benefit of the City of San Diego and the recording is fee-exempt under Section 6103 of the California Government Code.

SITE LEASE

Dated as of _____ 1, 2013

by and between the

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

and the

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO**

Relating to the

\$ _____

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS AND LEASE REVENUE REFUNDING BONDS,
SERIES 2013**

a) SITE LEASE

This Site Lease (the "Site Lease") is dated as of ____ 1, 2013, and is entered into by and between the SAN DIEGO METROPOLITAN TRANSIT SYSTEM, a regional transportation agency, duly organized and existing pursuant to Division 11 of the Public Utilities Code of the State of California ("MTS"), and the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"). (Capitalized terms used in the Whereas clauses which are not defined therein shall have the meaning provided in Section 1.01 hereof).

i) WITNESSETH:

WHEREAS, The City of San Diego/MTDB Authority issued its 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) (the "2003 Lease Revenue Refunding Bonds"); and

WHEREAS, The City of San Diego (the "City") and MTS are members of the The City of San Diego/MTDB Authority; and

WHEREAS, the City desires to refund the 2003 Lease Revenue Refunding Bonds (the "Refunding"), which financed the MTS Old Town Trolley Rail; and

WHEREAS, to facilitate the Refunding, MTS and the Authority will enter into this Site Lease pursuant to which MTS will lease certain interest in real property owned by MTS (the "MTS Property," as more particularly described in Exhibit A hereto), currently encumbered for the 2003 Lease Revenue Refunding Bonds, to the Authority; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Site Lease.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms pursuant to the Facilities Lease, dated as of July 1, 2012, as it may be amended pursuant to its terms, including by the First Amendment to Facilities Lease, dated as of ____, 2013 (as amended, the "Lease"), each by and between the City and the Authority, and, if such terms are not defined in the Lease, then such terms shall have the meanings given such terms pursuant to the Indenture, dated as of July 1, 2012, as it may be amended pursuant to its terms, including by the First Supplemental Indenture, dated as of ____, 2013 (as amended, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

ARTICLE II

LEASE OF MTS PROPERTY

Section 2.01. Lease of the MTS Property. MTS hereby leases to the Authority and the Authority hereby rents from MTS, on the terms and conditions hereinafter set forth, the MTS Property.

Section 2.02. Term. The term of this Site Lease shall commence on the Closing Date and shall end on ____, 20__ (the "Termination Date"), unless such term is extended or sooner terminated upon written agreement by the parties hereto. Notwithstanding Section 3.06 of the Lease, on the Termination Date, the MTS Property shall be released from the provisions of the Lease and this Site Lease and no longer part of the Leased Property. The parties hereto agree to execute such documents as shall be necessary to evidence such release.

Section 2.03. Termination. The Authority agrees, upon the termination hereof, to quit and surrender the MTS Property in the same good order and condition as the same was in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and agrees that any additions, improvements or alterations to the MTS Property at the time of the termination hereof shall remain thereon and title thereto shall vest in MTS.

Section 2.04. Rent. The Authority shall pay to MTS an advance rent of \$1.00 as full consideration for this Site Lease over its term. The Authority hereby waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the MTS Property or portion thereof as a result of material damage, destruction or condemnation.

Section 2.05. Purpose. The Authority shall use the MTS Property solely for the purpose of leasing the same to the City pursuant to the Lease and MTS hereby leases the MTS Property to the Authority expressly on said condition and subject to the retained rights of MTS as described in Article III hereof; provided, however, that in the event of default by the City under the Lease, the Authority may exercise the remedies provided in the Lease.

Section 2.06. Owner in Fee. MTS covenants that it has the right to lease the MTS Property hereunder free and clear of all liens, claims or encumbrances, except Permitted Encumbrances.

Section 2.07. Assignments and Subleases. The Authority shall not assign its rights hereunder or sublet the MTS Property, except as provided in the Lease and the Indenture and as security for the Bonds.

Section 2.08. Quiet Enjoyment. The Authority at all times during the term hereof shall peaceably and quietly have, hold and enjoy the MTS Property without suit, trouble or hindrance from MTS.

Section 2.09. City's Access to the MTS Property. MTS agrees that the City shall have the right during MTS' normal working hours on MTS' normal working days to examine

and inspect the MTS Property for the purpose of assuring that the MTS Property is being properly maintained, preserved, and kept in good repair, working order and condition. MTS further agrees that the City shall have such rights of access to the MTS Property as may be reasonably necessary to cause the proper maintenance of the MTS Property in the event of failure by MTS to perform its obligations hereunder.

Section 2.10. Manufacturer's Warranties. MTS expressly acknowledges that neither the City nor the Authority makes, or has made, any representation or warranty whatsoever as to the existence or availability of warranties of the manufacturer or supplier of any item to be incorporated in the MTS Property.

Section 2.11. Tax Covenant. MTS hereby covenants with the Authority that it will make no use of the proceeds of the Bonds, or the MTS Property or of any income attributable thereto, which would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended, to be "private activity bonds" within the meaning of Section 141 of such Code, or otherwise cause the Bonds to not be excludable from gross income under Section 103 of the Code.

Section 2.12. Eminent Domain. In the event the whole or any portion of the MTS Property is taken by eminent domain proceedings, any interests of the Authority shall be recognized in accordance with Section 8.01 of the Lease.

ARTICLE III

RETAINED RIGHTS AND OBLIGATIONS OF MTS

Section 3.01. MTS Right of Entry. MTS reserves the right for any of its duly authorized representatives to enter upon the MTS Property at any reasonable time: to inspect the same; to operate, make any repairs, improvements or changes necessary for the preservation thereof, including maintenance of the MTS Property as described in Section 3.02 below; to perform any of its other duties; or exercise any of its other rights, as contemplated hereunder.

Section 3.02. Maintenance of Property by MTS. MTS agrees that at all times during the term of this Site Lease, MTS will, at MTS' own cost and expense, maintain, preserve and keep the MTS Property in good repair, working order and condition, and that MTS will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals thereto. MTS shall at its own expense, provide or cause to be provided all security service, custodial service, power, gas, telephone, light, heating and water, and all other public utility services for the MTS Property.

Section 3.03. Additions and Improvements. MTS shall have the right during the term of this Site Lease to make any additions or improvements to the MTS Property, to attach fixtures, structures or signs, and to affix any personal property to the improvements on the MTS Property, provided the use of the MTS Property for the purposes contemplated in this Site Lease is not impaired and provided the value of the MTS Property is not impaired. The parties hereto acknowledge and agree that MTS shall have the right in its discretion and without the approval of the City or the Authority to acquire, construct, install and provide for the financing of additional

improvements and facilities with respect to the MTS Property and provided the value of the MTS Property is not impaired. Title to all personal property which is part of the MTS Property shall remain in the name of MTS. The title to any personal property, improvements or fixtures placed on the MTS Property by MTS shall remain in the name of MTS.

Section 3.04. Taxes, Other Governmental Charges and Utility Charges. MTS will pay during the term of this Site Lease, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the MTS Property, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the MTS Property; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, MTS shall be obligated to pay only such installments as have accrued during the time this Site Lease is in effect.

Section 3.05. Insurance. MTS shall maintain, or cause to be maintained, the same policies of insurance with respect to the MTS Property as the policies of insurance required to be maintained with respect to the Leased Property under Section 7.03 of the Lease.

Section 3.06. Release and Indemnification of the City, the Trustee and the Authority. To the extent permitted by law, MTS shall defend, protect, hold harmless and indemnify the City, the Authority, the Trustee under the Indenture, and the employees, directors and officers of each from and against any and all liability, obligations, claims and damages whatsoever, regardless of cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this Site Lease, the ownership of the MTS Property, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of equipment, or any accident in connection with any of the foregoing resulting in damage to property or injury to or death of any person. However, MTS shall not hold harmless or indemnify the Authority, the Trustee or any employee, director or officer of each for any losses which are caused by the bad faith or willful misconduct of such party.

Section 3.07. Liens. During the term of this Site Lease, MTS shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the MTS Property, other than the Permitted Encumbrances. MTS may construct alterations, refurbishment and improvements to the Maintenance Yard Portion (as described in Exhibit A attached hereto) so long as such work does not reduce the fair rental value thereof below the amount of Lease Payments attributable to the Maintenance Yard Portion which are in excess of the Lease Payments comprising the fair rental value of the Right-of-Way Portion. MTS shall promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished to or for, in, upon or about the MTS Property and which may be secured by any mechanic's, materialman's or other lien against the MTS Property, or the interests of the City and the Authority therein, and shall cause each such lien to be fully discharged and released; provided, however, that the City or the Authority may (i) contest any such claim or lien without payment thereof so long as such nonpayment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event MTS shall

forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty; unless, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the City in the MTS Property will be materially endangered or the MTS Property or any part thereof will be subject to loss or forfeiture, in which event MTS will be required promptly to pay such taxes, assessments or charges or provide the City and the Authority with full security against any loss which may result from nonpayment satisfactory to MTS, the City, the Authority and the Trustee.

Section 3.08. Use of the MTS Property. MTS will not install, use, operate or maintain the MTS Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Site Lease. MTS shall provide all permits and licenses, if any, necessary for the acquisition, construction, installation and operation of the MTS Property. In addition, MTS agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the MTS Property) with all laws of the jurisdictions in which its operations involving the MTS Property may extend and with all regulations, orders and decrees of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the MTS Property; provided, however, that MTS may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of the Authority or the City in and to the MTS Property or either of their interest or rights under the Lease.

Section 3.09. Substitution of MTS Property. MTS may request the Authority to substitute or remove property for all or part of the MTS Property subject to this Site Lease, but only upon compliance by MTS, at its sole expense, with all requirements for the substitution of property by the City under Section 3.06 of the Lease. The City may consent to such substitution, such consent not to be unreasonably withheld.

Section 3.10. Assignment by MTS. Neither this Site Lease nor any interest of MTS herein shall, at any time after the date hereof, be mortgaged, pledged, assigned or transferred by MTS by voluntary act or by operation of law, or otherwise, except as specifically provided herein, in the Lease or pursuant to the Indenture. MTS shall at all times remain liable for the performance of the covenants and conditions on its part to be performed.

ARTICLE IV

EVENTS OF DEFAULT

Section 4.01. Default by Authority. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms hereof, which default continues for thirty (30) days following notice and demand by MTS for correction thereof to the Authority, MTS may exercise any and all remedies granted by law, except that no merger of this Site Lease and the Lease shall be deemed to occur as a result thereof; provided, however, prior to the Termination Date, MTS shall have no power to terminate this Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair the City's rights under the Lease.

Section 4.02. Default by MTS. In the event MTS shall be in default in the performance of any obligation on its part to be performed under the terms hereof, which default continues for thirty (30) days following notice and demand by the City, the Authority or its assignee for correction thereof to MTS, the Authority may exercise any and all remedies granted by law, except that no merger of this Site Lease and the Lease shall be deemed to occur as a result thereof; provided, however, that the City, the Authority or its assignee may, upon written request of MTS prior to the expiration of such thirty (30) day period, consent to an extension of such time in order to cure such failure if corrective action has been instituted by MTS and is being diligently pursued and will, in the judgment of the City, the Authority or its assignee, be diligently pursued until the default is corrected.

ARTICLE V

MISCELLANEOUS

Section 5.01. Waiver of Personal Liability. All liabilities hereunder on the part of the Authority shall be solely corporate liabilities of the Authority, and MTS hereby releases each and every director, officer and employee of the Authority of and from any personal or individual liability hereunder. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Authority hereunder.

Section 5.02. Amendments. The terms of this Site Lease shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by MTS and the Authority or their successors in interest.

Section 5.03. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 5.04. Notices. All written notices to be given shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to MTS:

San Diego Metropolitan Transit System
[contact information]

If to the Authority:

Public Facilities Financing Authority of the City of San Diego
c/o City of San Diego
City Attorney's Office
1200 Third Avenue

San Diego, California 92101
Attention: Deputy City Attorney – Finance

Section 5.05. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 5.06. Execution in Counterparts. This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 5.07. Governing Law. This Site Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 5.08. Subject to Lease. Notwithstanding any provision herein to the contrary, MTS' use and enjoyment of the MTS Property shall be subject to the Lease.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Site Lease by their officers thereunder duly authorized as of the day and year first above written.

SAN DIEGO METROPOLITAN TRANSIT
SYSTEM

By: _____
Authorized Officer

ATTEST

By: _____
Nikki Machado, Clerk of the Board

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By: _____
Todd Gloria, Chair

ATTEST

By: _____
Elizabeth Maland, Secretary

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, General Counsel

By: _____
Deputy General Counsel

STATE OF CALIFORNIA)
) §
COUNTY OF SAN DIEGO)

On _____ before me, _____, a
Notary Public, personally appeared _____, who proved to me on
the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized
capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity
upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

[Affix seal here]

STATE OF CALIFORNIA)
) §
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

[Affix seal here]

EXHIBIT A

DESCRIPTION OF MTS PROPERTY



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: February 19, 2013 REPORT NO: 13- 13

ATTENTION: Council President and City Council

SUBJECT: 2013A Lease Revenue Bonds
(\$30 Million Capital Improvement Projects, economic refunding of the
2003 MTDB Authority Old Town Light Rail Lease Revenue Bonds, and
economic refunding of the 2003 Balboa Park/Mission Bay Park
Certificates of Participation)

REFERENCE: Proposed \$25 Million Bond Issuance for General Fund Capital
Improvements, Budget and Finance Committee (Report 12-122 Revised)
October 1, 2012

REQUESTED ACTIONS:

1. Authorize the issuance of the Public Facilities Financing Authority of the City of San Diego (the "Authority") Lease Revenue Bonds, Series 2013A (the "2013A Bonds")
 - i. In a principal amount not to exceed \$31.1 million to provide for \$25 million in construction proceeds for General Fund Capital Improvement Projects as approved by City Council via R-307759 and \$5 million in construction proceeds for Storm Water capital improvement projects; and
 - ii. In a principal amount not to exceed \$15.5 million to refund outstanding 2003 MTDB Authority Old Town Light Rail Lease Revenue Bonds and the outstanding 2003 Balboa Park/Mission Bay Park Certificates of Participation, if each of the refundings generates at least 3% in net present value savings.
2. Authorize the execution of related financing documents including the form of First Amendment to the Site Lease, the form of First Amendment to the Facilities Lease, the form of First Supplemental Indenture with Wells Fargo Bank, National Association as the Indenture Trustee, the Bond Purchase Agreement with the underwriting syndicate members - Merrill Lynch, Pierce, Fenner & Smith Incorporated and Raymond James Morgan Keegan, and the Continuing Disclosure Certificate.

3. Authorize the City Attorney to appoint Nixon Peabody, LLP as Bond and Disclosure Counsel and pay an amount not to exceed \$75,000, plus reasonable out of pocket expenses not to exceed \$5,000, for the 2013A Bonds. The fees payable to Bond and Disclosure Counsel shall be contingent upon the closing of the bonds.
4. Authorize the Chief Financial Officer to establish a Special Interest-bearing account for the bond proceeds of the \$30 million Capital Improvement Projects titled, "Capital Improvement Projects Bonds 2013A" contingent upon approval of the bond authorization and related documents and contingent upon the issuance of the 2013A Bonds.
5. Authorize the Chief Financial Officer to increase the Capital Improvements Program Budget and to appropriate and expend a total of \$30 million from the Capital Improvement Projects 2013A Bond Fund, in the projects and amounts shown in Table 1 of the full Report to City Council (13-13) for the purpose of planning, design, construction and related eligible expenditures.

STAFF RECOMMENDATION:

Approve the requested actions.

SUMMARY:

I. Background

The proposed actions authorize the implementation of lease revenue bonds to fund various General Fund Capital Improvement Projects ("2013 CIP") as described below, refund existing 2003 MTDB Authority Old Town Light Rail Lease Revenue Bonds and refund existing 2003 Balboa Park/Mission Bay Park Certificates of Participation.

2013 CIP Bonds

On October 22, 2012 (Resolution Number R-307759) City Council authorized the issuance of lease revenue bonds with net proceeds of \$25 million to fund certain Capital Improvement Projects.

Additionally, the Mayor recommends \$5 million in certain priority Storm Water CIP to be funded with the proceeds from the proposed bond offering. On February 6, 2013, the City's Capital Improvements Program Review and Advisory Committee (*CIPRAC*) made a unanimous recommendation to amend the proposed offering to identify bond funds for addressing critical CIP needs in Fiscal Year 2014 for the Storm Water System. A description of the specific nature of the Storm Water CIP needs is provided in a companion report to the City Council prepared by the Department of Transportation & Storm Water. A summary of the projects and amounts is listed below.

Table 1

Project	CIP Fund	Amount
<u>\$25 million approved by City Council</u>		
Skyline Hills Library	S00692	\$ 5.0 million
Mission Hills-Hillcrest Library	S13022	2.0 million
San Ysidro Library	S00802	3.0 million
Fire Station #45 –East Mission Valley	S00688	3.7 million
Mission Beach Boardwalk Bulkhead	S00726	1.4 million
Streets Resurfacing	A-ID.00005	5.15 million
Concrete Streets	A-ID.00006	<u>4.75 million</u>
Subtotal		\$25.0 million
<u>\$5 million Storm Water CIP</u>		
Watershed CIP	ACC.00001	<u>\$ 5.0 million</u>
Total Funding		\$30.0 million

Source: Public Works and Transportation and Storm Water Departments

Refunding Opportunities

In addition to the 2013 CIP discussed above, in staff's monitoring of refunding opportunities on outstanding bonds, two additional refunding opportunities were identified that would offer debt service savings to the City. These proposed refundings are 2003 MTDB Authority Old Town Light Rail Lease Revenue Bonds, ("2003 MTDB Old Town Light Rail Bonds") and 2003 Balboa Park/Mission Bay Park Certificates of Participation ("2003 Balboa Park/Mission Bay Park COPs"). Due to the projected debt service savings, these issuances were added to the 2013 CIP new money issuance planning process. The advantages to combining the two refundings with the 2013 CIP include cost savings from duplicate issuance costs, and accomplishing refundings on a fast track concurrent with the new money series.

2003 MTDB Old Town Light Rail Bonds Refunding

The 2003 MTDB Old Town Light Rail Bonds were issued to refund the 1993 Lease Revenue Bonds (San Diego Old Town Light Rail Transit Extension), which funded the San Diego Light Rail Transit System to Old Town San Diego. As of the date of this report, the outstanding principal amount of the 2003 MTDB Old Town Light Rail Bonds is \$10,025,000 and the final maturity is June 1, 2023. The 2003 MTDB Old Town Light Rail Bonds are callable at par commencing June 1, 2013, and are eligible for a current refunding (all bonds will be redeemed within 90 days from the date of the refunding bonds issue). Portions of the Right of Way and a Maintenance Yard, both assets owned by the San Diego Metropolitan Transportation System ("MTS") will be utilized as leased properties. City Staff is currently working with MTS staff to receive necessary approvals from the MTS Board to be able to accomplish the refunding.

2003 Balboa Park/Mission Bay Park COPs Refunding

The 2003 Balboa Park/Mission Bay Park COPs were issued to refund the 1993 Balboa Park/Mission Bay Park Certificates of Participation, which funded certain improvements in Balboa Park and Mission Bay Park. As of the date of this report, the outstanding principal amount of the 2003 Balboa Park/Mission Bay Park COPs is \$6,745,000 and the final maturity is

November 1, 2023. The outstanding 2003 Balboa Park/Mission Bay Park COPs are callable at par commencing November 1, 2013, and are eligible for a current refunding. The Mingei International Museum and Art Institute Building (House of Charm) will be the leased property supporting the outstanding principal of the 2003 Balboa Park/Mission Bay Park COPs.

II. Discussion

A. Summary of 2013A Bonds

- **Issuer:** Public Facilities Financing Authority of the City of San Diego
- **Not to Exceed Amount:**
 - 2013 CIP Bonds – \$31.1 million
 - Old Town Light Rail Extension 2013 Refunding Bonds & Balboa Park/Mission Bay Park 2013 Refunding Bonds – \$15.5 million
- **Tax Status:** The 2013A Bonds will be issued as tax-exempt issuances. The financed projects under each of the categories are capitalizable and uses are governmental in nature. Consistent with the IRS regulations for tax-exempt bonds, the weighted average life of the bonds will not exceed 120% of the weighted average remaining aggregate useful life of all the projects funded by the bonds.
- **Structure:** The financing ordinance requesting the bond authorization for the 2013A Bonds establishes flexibility to issue the bonds in one or more series through June 30, 2014. This provides flexibility to conduct the refunding portions of the transactions on a standalone basis, if warranted due to market conditions. One or more series would be issued under supplements to the Master Indenture and Master Site and Facilities Lease established with the 2012 Deferred Capital Improvement Bonds (see Legal Structure).
- **Repayment Source:** Payable from General Fund.
- **Final Maturity:**
 - 2013 CIP Bonds: 30-year term, through 2043
 - Old Town Light Rail Extension 2013 Refunding Bonds: Matched maturity of the existing bonds, through 2023 (10 years remaining)
 - Balboa Park/Mission Bay Park 2013 Refunding Bonds: Matched maturity of the existing bonds, through 2023 (10 years remaining)

B. Legal Structure

The Public Facilities Financing Authority of the City of San Diego (the “Authority”) is the issuer of the 2013A Bonds. This will include the refunding of the 2003 MTDB Old Town Light Rail Bonds, which were issued by the City/MTDB Authority. In 2012, the City issued 2012A&B Bonds under a Master Site Lease and a Master Facilities Lease (together the Master Lease), and a Master Indenture. Under this structure, the documents allow for future bonds to be issued through supplements to each of the documents. The proposed 2013A Bonds will be issued under supplements to the Master Indenture and the Master Lease.

Leased Properties

The Lease involves lease agreements between the City and the Authority of existing City-owned General Fund properties (the “Leased Properties”). The 2013 CIP projects include libraries, a fire station, a bulkhead and street projects. If the libraries and fire station are to be pledged assets for a lease revenue bond transaction, the City would need to pay capitalized interest until the libraries and fire station were completed which would increase the debt service costs to the City. As such, the 2013A Bonds are structured as an asset transfer bond offering which is a lease transaction where the financed assets are substituted with other essential assets of the City. These essential assets will be part of the pool of existing assets pledged for the 2012 Bonds. Pooling assets in a common Lease helps strengthen the Indenture and adds diversity and value to bond holders.

Debt Management staff worked closely with the Real Estate Assets Department (“READ”) to identify the additional unencumbered assets to be included in the Leased Properties for the proposed 2013A Bonds. The Leased Assets originally pledged for the existing 2003 MTDB Old Town Light Rail Bonds and the 2003 Balboa Park/Mission Bay Park COPs will be maintained in the pool of assets, to support the corresponding refunding portions of the 2013A Bonds. Below is a list of all the identified properties:

Table 2

\$30 million Capital Improvement Projects
Northeastern Police Division
Southern Police Division
Fire Station #44
Fire Station #16
UC Regents (ground lease)
Refundings
Mingei International Museum and Art Institute Building (House of Charm)
MTS Maintenance Yard (owned by MTS)
Right Of Way Portion (owned by MTS)

To establish the annual fair rental value, a legal requirement to issuing lease revenue bonds, the properties will be appraised by the appraisal companies retained by READ. As required under the lease financing structure, the maximum annual debt service payable by the City on the lease revenue bonds will not be in excess of the combined annual fair rental value of the Leased Properties. The City properties are leased until the final maturity of the 2013A Bonds, unless modified under conditions set forth in the legal documents. The combined preliminary appraisal value of the City owned properties is approximately \$38.6 million. The MTS properties will be released when the Old Town Light Rail Extension 2013 Refunding Bonds 2003 MTDB Old Town Light Rail Bonds is paid off (2023).

Final appraised value will be assessed closer to the timing of the bond sale and the final list of assets pledged will be determined based on the final appraisals and estimated debt service as of the date of the release of the Preliminary Official Statement. If final appraised value of assets pledged is in excess of what is required for the annual debt service, soon after the bonds are priced, properties will be excluded from the pledge. Title reports will be obtained for all the properties, establishing that the assets are not already encumbered and are free and clear of liens.

C. City Council Authorization

The City Council is requested to (i) authorize the issuance of 2013A Bonds; (ii) approve the financing legal documents; (iii) authorize the City Attorney to appoint the Bond and Disclosure Counsel; (iv) authorize the Chief Financial Officer to establish a Special Interest-bearing account for the bond proceeds titled, "Capital Improvement Projects Bonds 2013A" contingent upon approval of the bond documents and contingent upon the issuance of the bonds; and (v) appropriate and expend the CIP bond proceeds. Certain of the financing legal documents, including the leases, the supplemental indenture, and a continuing disclosure certificate must be approved via ordinance, and are subject to a 30 day referendum period. Staff will be docketing the Preliminary Official Statement (POS) for the 2013A Bonds separately to be authorized via resolution in May 2013, closer to the distribution of the POS to investors.

Financing & Legal Documents

The financing documents that would be approved through the requested actions include:

1. **First Amendment to Master Site Lease (Site Lease)** – The Site Lease is the agreement between the City and the Authority under which the City leases the City owned Leased Properties to the Authority. The MTS properties are leased to the Authority through a separate agreement - the MTS Site Lease. The MTS Site Lease does not require City Council approval since it is an agreement between the MTS and the Authority.
2. **First Amendment to Master Facilities Lease (Facilities Lease)** – The Facilities Lease is the agreement between the City and the Authority under which the City leases the Leased Properties (both City and MTS properties) back from the Authority. The lease payments made by the City are equal to the principal and interest payments on the 2013A Bonds issued by the Authority. The Facilities Lease contains certain covenants of the City, including that it will take the necessary action to include all lease payments due under the lease in the City's operating budget each year.
3. **First Supplemental Master Indenture (Indenture)** – The Indenture is an agreement between the Authority and the Trustee for the 2013A Bonds. The Indenture provides for the issuance of the 2013A Bonds, and includes information regarding the amount of the bonds, the maturities and interest rates on the bonds, the use of bond proceeds, and the nature of the security for the bonds (i.e., that the bonds are limited obligations of the Authority payable from lease payments. The Indenture also sets forth terms, including the specific rights, responsibilities, and obligations of each party with respect to the issuance of the 2013A Bonds. Under the Indenture, the Authority assigns its rights to receive lease payments under the Facilities Lease to the Trustee to make debt service payments to bondholders.
4. **Bond Purchase Agreement** – The Bond Purchase Agreement ("BPA") is an agreement among the City, the Authority, and the Underwriters for the transaction pursuant to which the Authority agrees to sell, and the Underwriters agree to buy, the 2013A Bonds. It specifies the purchase price of the bonds, and certain terms of the bonds, such as interest rates and maturities. The agreement also specifies documents that the parties must receive prior to bond closing, including the Bond Counsel opinion regarding the validity and tax exempt nature of the bonds as well as certain opinions and certificates of the City Attorney and other City and Authority officials. Such opinions and certificates would confirm, among other things, that all steps necessary to authorize the execution of the financing documents and the issuance of the bonds have been properly taken.

5. Continuing Disclosure Certificate – The Continuing Disclosure Certificate (“CDC”) details the City’s ongoing obligation to file annual reports and material events with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system for the benefit of the 2013A Bonds’ bondholders.

D. Financing Time Line

In order to execute the 2013A Bonds, following are authorizations and critical milestones:

March 2013	Introduction & approval (2 readings) of the Financing Ordinance authorizing the issuance of the bonds and approval of the financing documents. 30 Day Referendum Period after the City Council approval of the financing ordinance.
	MTS Board approval of the MTS Site Lease
May 2013	City Council approval of the disclosure document (Preliminary Official Statement)
	Authority approval of the 2013A Bonds
June 2013	Pricing and execution of the Bond Purchase Agreement
	Bond Closing and delivery of proceeds for 2013A Bonds

E. Financing Team

The City’s Financing Team for the 2013A Bonds consists of staff of the Department of Finance, including the Chief Operating Officer and staff of the Debt Management Department, the Comptroller’s Office, the Treasurer’s Office, and the Financial Management Department. The Financing Team also includes staff of the Real Estate Assets Department, the City Attorney’s Office, the Risk Management Department, the Department of Public Works, Engineering & Capital Projects, and the Department of Transportation & Storm Water. External members include: Public Resources Advisory Group, LLC (“PRAG”) as the financial advisor; Nixon Peabody LLP, as Bond and Disclosure Counsel; Hawkins Delafield & Wood as Underwriter’s Counsel; Wells Fargo Bank, National Association as Trustee; Chicago Title Company as title insurance provider; and DF Davis Real Estate, Inc., Hilco Real Estate Appraisal, and James Naughton Jr., MAI, as appraisers.

Financial Advisor: PRAG is selected to provide financial advisory services for this transaction from the City’s As-needed Financial Advisors List based on the firm’s experience in General Fund lease revenue bond financings and the fee estimate. The fee to PRAG for this issuance, which is contingent upon the successful closing of the 2013A Bonds, is for an amount not to exceed \$50,000, plus out of pocket expenses not to exceed \$3,000.

Bond and Disclosure Counsel: The City Attorney’s Office has identified Nixon Peabody LLP (“Nixon Peabody”) to serve as Bond and Disclosure Counsel and pay an amount not to exceed

\$75,000, plus reasonable out of pocket expenses not to exceed \$5,000, for the 2013A Bonds. The fees payable to Bond and Disclosure Counsel shall be contingent upon the closing of the bonds and paid out of bond proceeds.

Trustee: Wells Fargo Bank will continue to serve as the Trustee for this transaction. Compensation for the Trustee includes \$4,000 for the transaction and ongoing estimated annual fees of \$4,000.

Underwriting Syndicate: Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America Merrill Lynch) and Raymond James Morgan Keegan were selected through a competitive process to serve as Senior Manager and Co-Manager respectively for the 2013A Bonds. The Request for Proposals was issued on November 28, 2012. In total, 23 underwriting proposals were received of which 15 firms proposed to serve as a Senior Manager or Co-Manager and 8 firms proposed solely as a Co-Manager.

The syndicate members were identified based on the investment banking experience of the firms on similar transactions, capacity to underwrite the transaction, and bond marketing outreach capabilities. Bank of America Merrill Lynch has eight brokerage locations in the County of San Diego with 168 professionals maintaining approximately 276,000 accounts. Raymond James has eleven brokerage locations in the County of San Diego with 22 professionals maintaining approximately 4,300 accounts.

FISCAL CONSIDERATIONS:

A. 2013 CIP Bond Proceeds, Interest Rate and Projected Debt Service

Based upon current market conditions as of February 6, 2013, the par amount of the 2013 CIP Bonds is approximately \$29.7 million. This amount, in addition to funds from net original issue premium, would provide funding to establish the \$30 million Construction Fund for CIP expenditures and pay for associated costs of issuance.

2013 CIP Bonds Estimated Sources and Uses of Funds

Estimated Sources

2013 CIP Bonds

Par Amount	\$29,665,000
Original Issue Premium ⁽¹⁾	<u>686,366</u>
Total Proceeds	\$30,351,366

Estimated Uses

2013 CIP Bonds

Deposit to Construction Fund	\$30,000,000
Costs of Issuance ⁽²⁾	348,622
Additional Proceeds Due to Rounding	<u>2,744</u>
Total Uses of Funds	\$30,351,366

⁽¹⁾ Original issue premium is a bond structure from premium couponing of the bonds and is driven by market conditions.

- (2) Costs of Issuance include underwriter's discount, bond and disclosure counsel fees, financial advisory fees, title insurance costs, appraisal fees, rating agency fees, Preliminary Official Statement and Official Statement electronic printing/posting costs, CDIA fees, and City staff costs.

Summary of fiscal impact at current market rates as of February 6, 2013 (estimates, subject to change):

- True Interest Cost for the 2013 CIP Bonds: 3.88%
- Average annual debt service: \$1.7 million (Fiscal Year 2014 - 2043)
- Budgeted in the Citywide Program Expenditures Department

The maximum effective interest rate established under the Financing Ordinance is 7.00%. Under the current market conditions, it is not expected that the actual pricing for the 2013 CIP Bonds will result in an effective interest rate of 7.00%; should that occur, the average annual debt service would be approximately \$2.5 million.

In accordance with the City's Debt Policy, Section 4.2, an analysis of the impact of additional General Fund backed bonds was conducted, specifically for the impact of the 2013 CIP Bonds \$30 million new money series. Section 4.2 of the Debt Policy recommends that debt service as a percentage of General Fund revenues be below 10%. Under the current lease revenue bond levels, the debt service as a percentage of General Fund revenues is at 4.31% for Fiscal Year 2013. The 2013 CIP Bonds debt service commences in Fiscal Year 2014 and would increase the debt service as a percentage of General Fund revenues to 4.49% in Fiscal Year 2014 (no impact in Fiscal Year 2013).

B. Refundings of 2003 MTDB Light Rail Bonds and the 2003 Balboa Park/Mission Bay Park COPs

Estimated savings on the portion of the debt service relating to the 2003 MTDB Light Rail Bonds, based on current market conditions, is as follows:

- Total cash flow savings over the remaining life of the bonds: approximately \$1.3 million
- Average annual budgetary savings: approximately \$130,000 (FY 2014 – 2023)
- Net present value savings ("NPV") is \$910,000 over the life of the bonds, or 9.8% of refunded debt
- The current outstanding par amount of the 2003 MTDB Light Rail Bonds is \$9.3 million and will be reduced to \$8.5 million after the refunding

Estimated savings on the portion of the debt service relating to the 2003 Balboa Park/Mission Bay Park COPs, based on current market conditions, is as follows:

- Total cash flow savings of over the remaining life of the bonds: approximately \$555,000
- Average annual budgetary savings: approximately \$50,000 (FY 2014 – 2024)
- Net present value savings ("NPV") is \$460,000 over the life of the bonds, or 6.8% of refunded debt.
- The current outstanding par amount of the 2003 Balboa Park/Mission Bay Park COPs is \$6.7 million and will be reduced to \$6.2 million after the refunding.

It is recognized that there will be debt service savings in FY 2014 from the two proposed refundings. These savings will be captured in the FY 2014 Budget after the pricing of the bonds is executed and the actual savings are known.

Existing debt service for the Old Town Light Rail Extension 2013 Refunding Bonds is budgeted in the Old Town Light Rail Extension Fund supported by Transient Occupancy Tax revenue. Existing debt Service for the Balboa Park/Mission Bay Park 2013 Refunding Bonds are budgeted in the Mission Bay/Balboa Park Improvement Fund supported by Transient Occupancy Tax revenue.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

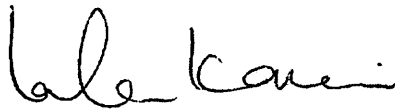
- On October 10, 2012, the Budget and Finance Committee approved the Proposed 2013 CIP Bond Authorization to advance to City Council.
- On October 22, 2012, City Council provided the authorization to issue lease revenue bonds generating \$25 million in net proceeds to fund certain General Fund Capital Improvement Projects (Resolution Number R-307759).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

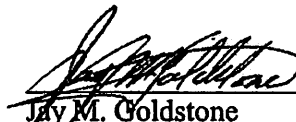
See above

KEY STAKEHOLDERS:

Business entities included in the financing: Merrill Lynch, Pierce, Fenner & Smith Incorporated (Underwriter - Senior Manager); Raymond James Morgan Keegan (Underwriter - Co-Manager); Nixon Peabody LLP (Bond and Disclosure Counsel); Hawkins Delafield & Wood LLP (Underwriter's Counsel); Wells Fargo Bank, National Association (Trustee); Public Resources Advisory Group (Financial Advisor); Standard & Poor's (Rating Agency); Fitch Ratings (Rating Agency); Chicago Title Company (title insurance); D.F. Davis Real Estate, Inc., Hilco Real Estate Appraisal, and James Naughton Jr., MAI (appraisals); and Elabra (Electronic Printing of POS and OS).



Lakshmi Kommi
Debt Management Director



Jay M. Goldstone
Chief Operating Officer

Attachments:

2013 Bonds Costs of Issuance Budget

2013A Lease Revenue Bonds - Estimated Costs of Issuance
\$30 Million CIP, 2003 MTDB Light Rail Refunding, 2003 Balboa Park/Mission Bay
Park COPs Refunding

<u>Description</u>	<u>Firm</u>	<u>Estimate</u>
Bond & Disclosure Counsel (inc. expenses)	Nixon Peabody	\$ 80,000
General Disclosure Counsel	Hawkins Delafield & Wood	10,000
Financial Advisor (inc. expenses)	Public Resource Advisory Group	53,000
Trustee/Escrow Agent	Wells Fargo	8,000
Title Insurance Policies	Chicago Title Company	28,000
Property Appraisal Fees	D.F. Davis; Hilco; James Naughton	35,000
Rating Agency Fees	Standard & Poor's, Fitch Ratings	62,000
Electronic Printing (POS/OS)	Elabra	1,000
Reimbursement for City Labor Costs	Various City Departments	90,000
	<i>subtotal</i>	\$ 367,000
	Contingency (~5%)	\$ 19,000
	Total COI Budget	\$ 386,000
	Underwriter's Discount	133,170
	(Estimated) Costs of Issuance	\$ 519,170



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Agenda Item No. 16

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

TAXICAB ADMINISTRATION CONTRACT EXTENSION

RECOMMENDATION:

That the Board of Directors 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:

The City of San Diego Taxicab Administration contract will expire in July 2013. At its February meeting, the Board of Directors approved amended contract language to extend the agreement for another five years with specific language to clarify MTS's responsibilities. The CEO was authorized to negotiate the amended agreement. Subsequent to the Board's approval, the CEO received a letter from the City signaling its intent to transfer all administrative and regulatory responsibilities of the taxicab and for-hire vehicles from MTS to the City (Attachment B). This letter indicated that an extension might be requested to complete the transition. The City has since requested up to a one-year extension with the understanding that the two staffs would work closely to transition the responsibilities.



The City will also set up a forum to allow public input during this transition period. The City's representative indicated that MTS's role and responsibilities will not change during this interim term.



Paul C. Jablonski
Chief Executive Officer

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

Attachments: 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
B. Letter from Mayor Filner Dated 2/21/13

**~~SEVENTH~~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**

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~~Pursuant to a series of agreements beginning on July 1, 1988, City has contracted with that MTS to 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. Under this agreement, 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
- F. ~~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;~~

G. ~~The current agreement between CITY and MTS for MTS regulation of taxicabs and other for-hire vehicles and services now desire to enter into an agreement to extend the period from~~

F. ~~July 1, 2008 through expires on June 30, 2013; and~~

G. CITY has indicated a desire to take back taxicab regulation from MTS;

H. CITY and MTS agree that transitioning taxicab regulation back to the CITY will require additional time to plan for and agree on a transition plan; and

I. CITY and MTS desire to extend the agreement (MTS Doc. No. G0225.0-95 through G0225.7-95) until June 30, 2014 to allow the parties time to negotiate and plan for a transition of services to the CITY.

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, 2008~~2013~~, 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, 2008~~2013~~ through June 30, 2013~~2014~~, 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. The parties agree that MTS will not alter the scope of its regulatory activities during this transitional period. No fundamental policy or regulation will be altered during this transitional period unless both CITY and MTS agree that the alteration is required as an emergency regulation to protect public safety.

4. 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 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 _____, 2008~~2013~~.

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

Office of the General Counsel

Date: _____

Date: _____



Att. B, AI 16, 3/21/13

BOB FILNER
MAYOR

RECEIVED

FEB 26 2013

MTS

February 21, 2013

Mr. Paul Jablonski
Chief Executive Officer
Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

Subject: Request to Pull Future Agenda Items Related to Taxicab
Administration Contract Renewal

Dear Mr. Jablonski:

I am requesting that the Metropolitan Transit System (MTS) pull future agenda items related to the "Taxicab Administration Contract Renewal" from the MTS Board of Directors meeting. It is my intent to transfer all administrative and regulatory responsibilities of the taxicab and for-hire vehicles from MTS to the City of San Diego. While we do not plan to renew the proposed MOU, in order to allow the City to take the necessary steps to ensure a smooth transition of responsibilities, we may request an extension of the existing contract until the transition is complete.

If you have any questions please do not hesitate to call Nelson Hernandez, Assistant Chief Operating Officer, at (619) 236-5929.

Sincerely,

BOB FILNER
Mayor

BF/nh



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

Agenda Item No. 25

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

PUBLIC HEARING TO ADOPT A RESOLUTION OF NECESSITY FOR FULL ACQUISITION OF ASSESSOR'S PARCEL NO. 549-181-05, 6645 IMPERIAL AVENUE, SAN DIEGO, CALIFORNIA OWNED BY THOMAS AND TIFFANY MANNION (KAREN LANDERS AND TIM ALLISON)

RECOMMENDATION:

That the Board of Directors:

1. receive public testimony;
2. adopt Resolution of Necessity No. 13-7 (Attachment A) by a two-thirds vote approving the full acquisition of Assessor's Parcel No. (APN) 549-181-05; and find that:
 - the public interest and necessity require the project;
 - the project is planned or located in a manner that will be the most compatible with the greatest public good and the least private injury;
 - the acquisition of the property is necessary for the project; and
 - an offer of just compensation has been made to the property owner; and
3. authorize staff to proceed with condemnation proceedings to acquire the subject parcel.

Budget Impact

The cost of purchase would come from the Orange/Blue Line TPSS Project (Project Code 12817).

DISCUSSION:

The new Low-Floor Vehicle System Upgrade Project requires additional traction power substations be constructed along the Orange and Blue Lines to provide additional power to the traction power system. A site has been identified east of the Encanto/62nd Street Trolley Station. The property is located at 6645 Imperial Avenue, San Diego (Attachment A-6) and is owned by Thomas and Tiffany Mannion. The property is a 13,247-square-foot vacant lot that is zoned RM-2-5 Multiple-Family Residential.

California eminent domain law provides that a public entity may not commence an eminent domain proceeding until its governing body has adopted a Resolution of Necessity, which resolution may only be adopted after the governing body has given each party with an interest in the affected property, or their representatives, a reasonable opportunity to appear and be heard on the following matters:

1. The public interest and necessity require the project.
2. The project is planned or located in a manner that will be the most compatible with the greatest public good and the least private injury.
3. The interest in the property is necessary for the project.
4. An offer of just compensation has been made to the property owner.

The Public Interest and Necessity Require the Project

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.

The new low-floor trolley vehicles are planned to be deployed throughout the system, replacing the oldest trolley vehicles. These new cars consume more energy than the older models. The project team determined that additional traction power substations be constructed along the Orange and Blue Lines to provide additional power to the traction power system.

The Project is Planned or Located in a Manner that will be the Most Compatible with the Greatest Public Good and the Least Private Injury

The Traction Power Substation (TPSS) site location at the southwest corner of Woodman Street and Imperial Avenue in the City of San Diego was chosen based on several considerations through the engineering design process.

One criterion considered is the connection point to the overhead catenary system (OCS). The traction power substations are located generally every mile to provide power to the trolley. The substations need to be evenly spaced to avoid voltage issues related to line loss. The location along the trolley line that serves the system best is a connection near the intersection of 66th Street and Imperial Avenue.

San Diego Association of Governments (SANDAG) and MTS originally considered placement of the TPSS on the existing bridge that crosses the drainage channel north of the existing railroad tracks at 66th Street and other properties west of the Woodman site. It was determined by the Engineer of Work that the elevation of these other locations are located below the Federal Emergency Management Administration (FEMA) 100-year flood plain and would flood during a 100-year storm event. MTS Design Criteria requires that all new traction power substations be constructed above the 100-year flood plain. Other properties in the same vicinity were considered, both north and south of the tracks, and the majority of parcels fall within the FEMA-designated floodplain area. In addition, there were very few vacant parcels in the surrounding area to consider.

Preparation of an amendment to the FEMA documents to place the TPSS out of the floodplain was considered. This would involve finding a site to develop, grading of the site to elevate it above the floodplain, and extensive hydrology and hydraulic reports to prove the new site was out of the floodplain and there would be no impacts to existing properties due to the change in topography. The liability of potentially impacting other properties and the chance that FEMA would deny the request was considered too great to pursue this option.

MTS and SANDAG also met with a representative of the Southeast Economic Development Corp (SEDC), the prior redevelopment agency for this neighborhood, on January 26, 2012 to discuss potential locations in this corridor for the substation. Staff met in the field for a site visit to see if there were other options available that would better suit SEDC's long-term plans in the area. This site was the best suited that fit both of MTS and SEDC's goals. It was discussed that MTS would design the site to best fit with future development potential.

The Interest in the Property is Necessary for the Project

The property chosen for the new substation is located at 6645 Imperial Avenue, San Diego, and is owned by Thomas and Tiffany Mannion. The property is a 13,247-square-foot vacant lot that is zoned RM-2-5 Multiple-Family Residential. As described in the previous section, this property is considered the best location since it is vacant land, out of the floodplain, access for SDG&E and MTS is favorable, and it is situated only a few hundred feet east of the optimum connection point to the trolley system.

An Offer of Just Compensation Has Been Made to the Property Owner

MTS Policy No. 8, Acquisition of Real Property Interests, outlines the requirements for establishing fair market value for a property being considered for acquisition. It also outlines the process for acquisition considering current state and federal law. MTS is obligated to offer as just compensation at least fair market value and compensate the owner for other expenses, such as title and escrow fees.

An appraisal was prepared by Anderson and Brabant, Inc. dated March 9, 2012, establishing the fair market value of the real property sought to be acquired. On June 1, 2012, MTS made an offer of just compensation to the property owner to purchase the fee title to the property based on the appraisal. Although a negotiated settlement may still be possible for the property cited above, it would be appropriate to commence the procedures to acquire the real property through eminent domain to ensure that access and the necessary property will be available to meet the critical time frames associated with the development of the project.


Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Resolution of Necessity No. 13-7

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
RESOLUTION OF NECESSITY NO. 13-7

A Resolution of San Diego Metropolitan Transit System
Declaring that the Acquisition of a Fee Interest in Certain Real Property by
Eminent Domain is Necessary for the Low-Floor Station Platform Retrofit Project

WHEREAS, San Diego Metropolitan Transit System ("MTS") proposes to acquire a fee interest in certain real property for the purpose of constructing the Low-Floor Station Platform Retrofit Project ("Project") pursuant to the authority granted to MTS; and

WHEREAS, pursuant to Code of Civil Procedure section 1245.235, MTS scheduled a public hearing for Thursday, March 21, 2013 at 10:00 a.m. at MTS Headquarters located at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101, and gave to each person whose property is to be acquired and whose name and address appears on the last equalized county assessment roll, notice and a reasonable opportunity to appear at said hearing and be heard on the matters referred to in Code of Civil Procedure section 1240.030; and

WHEREAS, said hearing has been held by MTS, and each person whose property is to be acquired by eminent domain was afforded the opportunity to be heard on said matters; and

WHEREAS, MTS may now adopt a resolution of necessity pursuant to Code of Civil Procedure section 1240.040;

NOW, THEREFORE, BE IT RESOLVED BY THE Board of Directors of San Diego Metropolitan Transit System as follows:

Section 1. Notice and Hearing Compliance.

MTS has provided notice of this hearing as required by Code of Civil Procedure section 1245.235.

Section 2. Public Use.

The public use for which the real property is to be acquired is to install a Traction Power Sub-Station to provide the power needed for the newly acquired Low Floor Light Rail Vehicles that will run along the entire MTS Orange Line. MTS is authorized to acquire by eminent domain property necessary for such a purpose.

Section 3. Description of Property.

Attached and marked as Exhibits "A" and "B" are the legal description and a map of the real property to be acquired by MTS, describing the general location of the property to be acquired with sufficient detail for reasonable identification.

Section 4. Findings.

MTS hereby finds and determines the following:

- a. The public interest and necessity require the proposed project; and
- b. The proposed project is planned or located in the manner that will be the most compatible with the greatest public good and with the least private injury; and
- c. The property is necessary for the proposed project; and
- d. The offer required by Government Code section 7267.2 was made.

Section 5. Further Activities.

Best Best & Krieger LLP, as special counsel to MTS, is hereby authorized to acquire the described real property in the name of and on behalf of MTS by eminent domain. Best Best & Krieger LLP is further authorized to institute and prosecute such legal proceedings as may be required. Best Best & Krieger LLP may take such steps as may be authorized and required by law, and make such deposits as may be required by order of the court, to permit the MTS to take possession of and use said real property at the earliest possible time. Best Best & Krieger LLP is further authorized to correct any errors or to make or agree to non-material changes in the legal description of the real property that is deemed necessary for the conduct of the condemnation action, or any other proceedings or transactions required to acquire the subject real property.

PASSED AND ADOPTED, by the Board of Directors this _____ day of _____, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

EXHIBIT A

LEGAL DESCRIPTION

Real property in the City of San Diego, County of San Diego, State of California, described as follows:

LOTS 33 AND 34, ENCANTO PARK ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 1228, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

APN: 549-181-05-00

EXHIBIT B

PLAT MAP

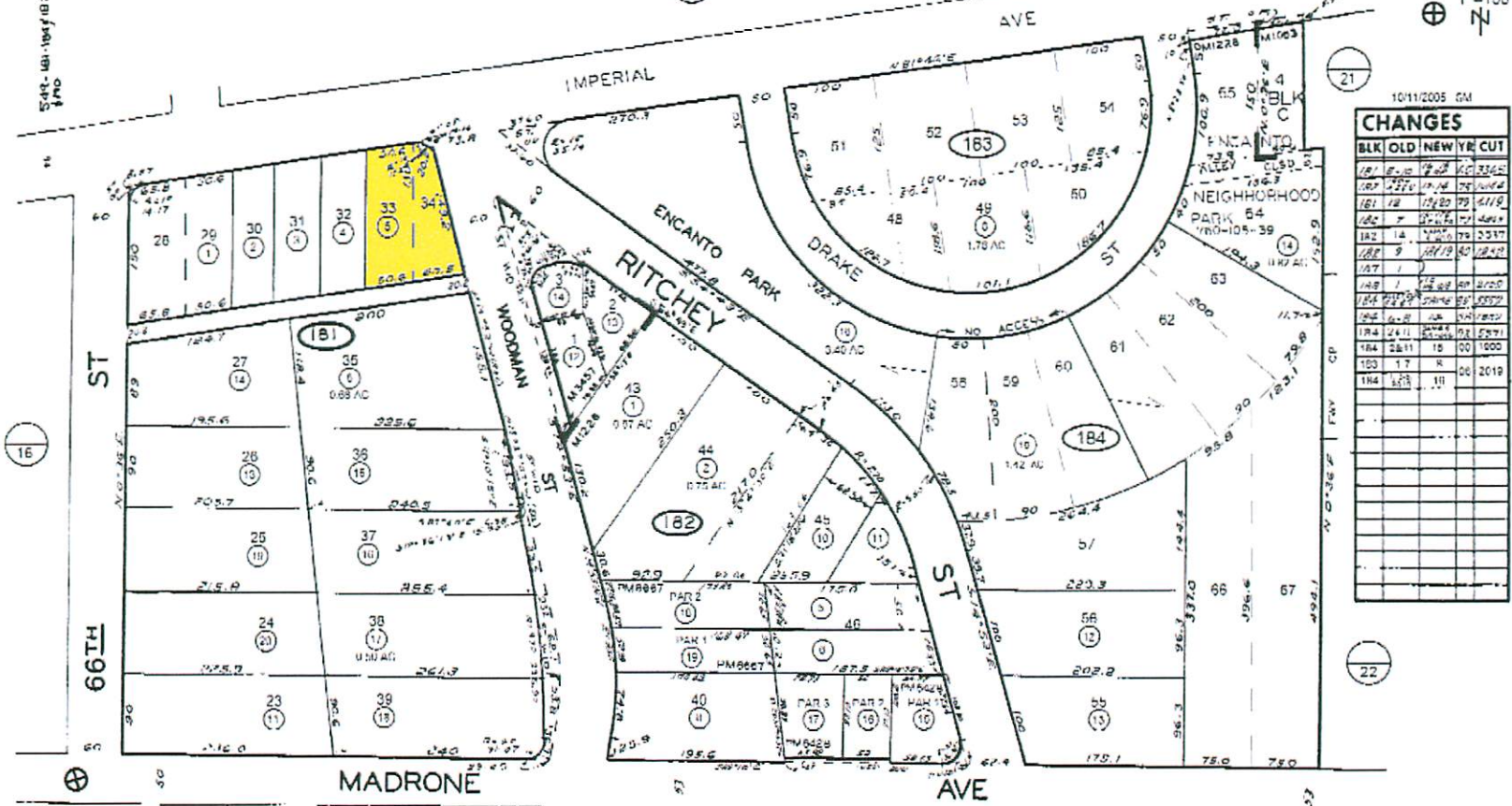
08

549-18
SHT 1 OF 2

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. THE DATA SHOWN MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

549-18
SHT 1 OF 2

1"=100'



10/11/2005 GM

CHANGES			
BLK	OLD	NEW	YR CUT
181	8-10	7-10	10/23/05
181	11-12	10-12	10/23/05
181	13	12-13	10/23/05
181	14	13-14	10/23/05
181	15	14-15	10/23/05
181	16	15-16	10/23/05
181	17	16-17	10/23/05
181	18	17-18	10/23/05
181	19	18-19	10/23/05
181	20	19-20	10/23/05
181	21	20-21	10/23/05
181	22	21-22	10/23/05
181	23	22-23	10/23/05
181	24	23-24	10/23/05
181	25	24-25	10/23/05
181	26	25-26	10/23/05
181	27	26-27	10/23/05
181	28	27-28	10/23/05
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181	30	29-30	10/23/05
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181	33	32-33	10/23/05
181	34	33-34	10/23/05
181	35	34-35	10/23/05
181	36	35-36	10/23/05
181	37	36-37	10/23/05
181	38	37-38	10/23/05
181	39	38-39	10/23/05
181	40	39-40	10/23/05
181	41	40-41	10/23/05
181	42	41-42	10/23/05
181	43	42-43	10/23/05
181	44	43-44	10/23/05
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181	47	46-47	10/23/05
181	48	47-48	10/23/05
181	49	48-49	10/23/05
181	50	49-50	10/23/05
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181	66	65-66	10/23/05
181	67	66-67	10/23/05
181	68	67-68	10/23/05
181	69	68-69	10/23/05
181	70	69-70	10/23/05
181	71	70-71	10/23/05
181	72	71-72	10/23/05
181	73	72-73	10/23/05
181	74	73-74	10/23/05
181	75	74-75	10/23/05
181	76	75-76	10/23/05
181	77	76-77	10/23/05
181	78	77-78	10/23/05
181	79	78-79	10/23/05
181	80	79-80	10/23/05
181	81	80-81	10/23/05
181	82	81-82	10/23/05
181	83	82-83	10/23/05
181	84	83-84	10/23/05
181	85	84-85	10/23/05
181	86	85-86	10/23/05
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181	89	88-89	10/23/05
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181	94	93-94	10/23/05
181	95	94-95	10/23/05
181	96	95-96	10/23/05
181	97	96-97	10/23/05
181	98	97-98	10/23/05
181	99	98-99	10/23/05
181	100	99-100	10/23/05

549-18
SHT 1
SAN DIEGO COUNTY
ASSESSOR'S MAP
BOOK 549 PAGE 18 SHT 1 OF 2

549-18
SHT 2

549-18
SHT 2
MAP 3457 - BECK SUB
MAP 1228 - ENCANTO PARK ADD
MAP 1063 - ENCANTO HEIGHTS
ROS 5865



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Agenda Item No. 45

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

SECURITY REPORT (BILL BURKE)

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None at this time.

DISCUSSION:

At the February meeting, members of the Board requested that staff give a report at the March meeting regarding transit security training.


Paul C. Jablonski
Chief Executive Officer

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





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Agenda Item No. 46

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

BUS RAPID TRANSIT (BRT) PROJECT UPDATES (DENIS DESMOND)

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None at this time.

DISCUSSION:

The reauthorization of the TransNet sales tax in 2004 included capital and operating funding for a number of bus rapid transit (BRT) projects. Four of these are currently in operation by MTS or development at SANDAG:

1. SuperLoop (University City)
2. Mid-City Rapid (Downtown-San Diego State University via El Cajon Blvd.)
3. I-15 BRT (Downtown-Escondido via Interstate 15)
4. South Bay BRT (Otay Mesa-Downtown/Sorrento Valley)

Additionally, the San Diego Association of Governments (SANDAG) is developing two important transit projects for MTS in Downtown San Diego: (1) BRT stations along Broadway to serve the new routes, and (2) an off-street facility to lay over BRT and local buses in between trips. Staff will provide an update on each of these projects.

A handwritten signature in black ink, appearing to read 'Paul C. Jablonski', is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

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



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Agenda Item No. 47

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

BUS RAPID TRANSIT (BRT) BRANDING (ROB SCHUPP)

RECOMMENDATION:

That the Board of Directors receive a report on Bus Rapid Transit (BRT) branding for buses procured for Interstate 15 (I-15), Mid-City, and South Bay BRT services.

Budget Impact

None.

DISCUSSION:

In 2014, two of three new BRT services are scheduled to launch within the MTS service territory. All-day BRT service will operate on the I-15 corridor between Escondido and downtown San Diego, and the Mid-City BRT will operate between San Diego State University and downtown via El Cajon Boulevard, Park Boulevard, and Broadway. Both projects are funded by TransNet. BRT features include high-frequency service, signal prioritization, dedicated stations with next-arrival signage, security cameras at stations, new articulated buses, and specialized branding. MTS is responsible for developing marketing and branding programs for the transit services within its jurisdiction, and MTS collaborates with the San Diego Association of Governments (SANDAG) on branding frameworks for regionally significant projects (as per SANDAG Policy 18). BRT services, which represent a new level of service for the region, will receive distinct branding on the buses and at stations. The purpose of the report is to review the results of the BRT branding effort between MTS and SANDAG.

A handwritten signature in black ink, appearing to read 'Paul C. Jablonski', is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

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

1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.





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Agenda Item No. 48

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 21, 2013

SUBJECT:

COMPASS CARD (SHARON COONEY)

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None at this time.

DISCUSSION:

The San Diego Association of Governments (SANDAG), North County Transit District (NCTD), and MTS began transitioning from paper fare products to the Compass Card smart card in early 2009. All monthly products have been successfully transitioned to Compass Card. Day Pass users were transitioned to Compass Card in 2012. Staff will report on the smart card system operations as well as efforts to transition Compass Card functions from SANDAG to MTS.


Paul C. Jablonski
Chief Executive Officer

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



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Agenda

Item No. 62

Chief Executive Officer's Report

ADM 121.7

March 21, 2013

In accordance with Board Policy No. 52, Procurement of Goods and Services, attached are listings of contracts, purchase orders, and work orders that have been approved within the CEO's authority (up to and including \$100,000) for the period February 14, 2013, through March 15, 2013.



EXPENSE CONTRACTS

Doc #	Organization	Subject	Amount	Day
G1519.0-13	FOCUS ON INTERVENTION	UPDATE JOB ANALYSIS BANK DOCUMENTS	\$20,750.00	3/6/2013
PWL145.0-13	JL PATTERSON & ASSOCIATES	2013 BRIDGE INSPECTION SERVICES	\$97,970.00	3/6/2013
G1418.2-12	ASPARIAN, LLC	ADDITIONAL HOURS FOR DATABASE SUPPORT	\$18,850.00	3/11/2013
G1500.1-13	APPLIED TRUST, INC.	ADDITIONAL TECH SUPPORT	\$20,000.00	3/11/2013
B0546.1-11	MOHAWK MFG. AND SUPPLY CO.	AMENDMENT TO BENDIX AIR BRAKES	\$4,987.06	3/14/2013
PWL144.0-13	TRI-SIGNAL INTEGRATION, INC.	FIRE ALARM TESTING AND MAINTENANCE	\$55,147.75	3/14/2013

REVENUE OR NO-VALUE CONTRACTS

Doc #	Organization	Subject	Amount	Day
G1515.0-13	MEDIA ARTS CENTER SAN DIEGO	PARTNERSHIP AGREEMENT		2/19/2013
L4619.0-13	P. SCOTT PRODUCTIONS, LLC	ROE PERMIT - FILM ON TROLLEY		2/19/2013
M6699.0-13	DIAMOND ENVIRONMENTAL SERVICES	ROE PERMIT - FENCE INSTALLATION	\$0.00	2/19/2013
L1135.0-13	SAN DIEGO HALF MARATHON	ROE PERMIT FOR SD HALF MARATHON	(\$500.00)	2/19/2013
L1144.0-13	RED FROG EVENTS	ROE PERMIT - WARRIOR DASH	(\$836.90)	2/27/2013
PWG141.2-12	APR CONSTRUCTION	TRANSIT STORE AMENDMENT 2	\$0.00	2/28/2013
L6681.0-13	DAVID EVANS & ASSOCIATES	JROE PERMIT - NCTD SANDAG A&E	\$0.00	3/4/2013
L6693.0-13	PARSONS BRINCKERHOFF	JROE PERMIT - NCTD SANDAG A&E	\$0.00	3/4/2013
L6694.0-13	RAIL PROS	JROE PERMIT - NCTD SANDAG A&E	\$0.00	3/4/2013
L1134.0-13	TGX CONSTRUCTION, INC.	ROE PERMIT - SMART CORNER ENTRY DOOR REL	(\$1,000.00)	3/6/2013
L1095.0-13	TETRA TECH	ROE PERMIT - SD PORT INTERCONNECT	\$0.00	3/6/2013
L1133.0-13	NASLAND ENGINEERING, INC.	ROE PERMIT - DURABLE - LAND SURVEY	(\$1,000.00)	3/6/2013
L5749.0-13	AES PROPERTY SERVICES	DURABLE ROE PERMIT - SDGE GRAFFITI MAINT	(\$1,000.00)	3/6/2013
S200-13-561	DAVEY TREE SURGERY CO	TREE MAINT & POLE INSPECTION	(\$1,500.00)	3/6/2013
L1143.0-13	SECC CORP	ROE PERMIT - SD PORT INTERCONNECT	\$0.00	3/8/2013
L4618.0-13	USS CAL BUILDERS INC	JROE PERMIT - VISIONARY PROJECT PLANS	(\$500.00)	3/8/2013
L5747.0-13	GINGERICH CONSTRUCTION, INC.	JROE PERMIT - OLD TOWN SIGNAGE IMPROVE	\$0.00	3/8/2013
M6697.1-13	MAHMOUD AKHAVEN - EURO SPORTS	LEASE AMENDMENT	\$0.00	3/11/2013
G1520.0-13	PM REALTY GROUP	PARTNERSHIP AGMT 2013	(\$11,600.00)	3/11/2013
G1523.0-13	AMTRAK	TRAIN DAY EXHIBITOR AGREEMENT	\$0.00	3/14/2013

PURCHASE ORDERS (IFAS)

DATE	Organization	Subject	AMOUNT
2/15/2013	US POSTAL SERVICE	POSTAGE METER - 1 YEAR	\$40,000.00
2/15/2013	CDW GOVERNMENT, INC.	AXIS SURVEILLANCE KIT	\$1,445.04
2/19/2013	SOLARWINDS, INC.	IP ADDRESS MANAGER	\$2,999.00
2/20/2013	CARDIAC SCIENCE CORP	POWERHEART AED	\$5,616.00
2/20/2013	GRAFFITI TRACKER	GPS CAMERA PACKAGE	\$2,808.00
2/28/2013	CDW GOVERNMENT, INC.	VMWARE ENT PLUS ACC BSNS 8P	\$16,123.00

WORK ORDERS

Doc #	Organization	Subject	Amount	Day
PWL132.0-11.10.1	SOUTHLAND ELECTRIC, INC.	SDSU FIRE ALARM STROBE LIGHT FIXTUR	\$1,735.42	2/19/2013
G1496.0-13.01.2	RAILPROS, INC.	BUS WASH REPLACE ENGINEERING	\$31,400.00	2/20/2013
G0930.17-04.02.1	SANDAG	BLUE LINE CROSSOVERS PS&E		2/25/2013
G0930.17-04.03.2	SANDAG	BLUE LINE TRACTION POWER		2/25/2013
G0930.17-04.04.1	SANDAG	SYSTEM STATION PLATFORMS		2/25/2013
G0930.17-04.09.1	SANDAG	BLUE LINE REIMBURSEMENT		2/25/2013
PWL132.0-11.12.3	SOUTHLAND ELECTRIC, INC.	BLDG B ROOF - REPLACING SHEATHING	\$12,219.72	3/6/2013
PWL132.0-11.10.2	SOUTHLAND ELECTRIC, INC.	SDSU FIRE ALARM ZONE 5 FIREWALL	\$12,540.72	3/8/2013