

MEETING OF THE BOARD OF DIRECTORS FOR THE  
SAN DIEGO METROPOLITAN TRANSIT SYSTEM (MTS)

1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101

May 15, 2014

**FINANCE WORKSHOP**

1. Roll Call

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

2. Proposed Fiscal Year 2015 Operating Budget

Mr. Roberts opened the Finance Workshop and introduced Mike Thompson, Director of Financial Planning and Analysis. Mr. Thompson began his presentation by giving a brief overview of the budget development process. He discussed the subsidy revenue assumptions for Federal funding stating that Federal funding is authorized through MAP-21 through Federal FY2014. He explained that in the Operating budget, preventative maintenance is the funding mechanism for the Federal side. Mr. Thompson discussed TDA and TransNet Formula funding and noted that this funding is sales tax generated and is projected by SANDAG each year. He stated that SANDAG is forecasting 5.0% growth for FY2014 and 4.0% growth for FY2015. Mr. Thompson explained that State Transit Assistance (STA) revenue was projected to be \$19.7M for FY2014 and \$18.0M for FY2015. He stated that there will be a \$9.2M increase in TransNet operating subsidy mainly due to new BRT services. Mr. Thompson explained that FasTrak revenue was decreasing from \$1.0M to \$500K. He discussed the lease/leaseback transactions and explained that for FY2015 the debt service cost will increase by \$19.5M. Mr. Thompson also discussed revenue assumptions for passenger fares and stated that MTS is assuming a total passenger increase of 2.6M. Mr. Thompson reported on the FY2015 revenue projection and stated that total revenue is projected to be \$282.4M.

Mr. Thompson discussed the service levels for FY2015 and stated that the service levels are projected to increase by 4.8%. Mr. Thompson reported on the expense assumptions for personnel which are increasing by \$4.6M. He stated that the headcount is increasing by 29 full time equivalents (FTEs), all due to BRT service. He also reviewed expense assumptions for management employees stating that the merit pool is assumed at 3.5%; the performance improvement program is 1.5%; pension contributions will increase from 4% to 6% in January 2015; and salary grade ranges will increase by CPI by 1.3%. Mr. Thompson stated that health and welfare costs are increasing by \$713K and total pension plan costs are increasing by \$31K. He discussed the energy expense assumptions, including CNG, diesel/gasoline and electricity/traction power. He stated that CNG costs are increasing by \$2.0M; diesel/gasoline costs are increasing by \$157K; and electricity/traction power costs are increasing by \$810K. Mr. Thompson reported that outside services are increasing by \$6.3M and total materials and supplies are increasing by \$624K. He discussed the FY2015 expense projections and stated that expenses are projected to increase by \$33.6M. He also noted that excluding the BRT and lease/leaseback debt service, expenses are only growing by \$7.2M. Mr. Thompson stated that they are projecting a balanced budget at this time.

Mr. Thompson reported on the contingency reserves and stated that the goal is to reach 12.5% by FY2016. He stated that there is a \$28.4M projected balance at the end of FY2014 and MTS will be adding \$2.5M to the reserve within FY2015. The \$30.9M projected reserve balance would be 12.2% of the FY2015 proposed MTS operating expenses.

Mr. Gloria inquired about the FasTrak revenue costs and why that revenue was decreasing by \$500K. Mr. Jablonski explained these costs are projected by SANDAG and that this particular

item is a Caltrans initiative to start moving the I-15 zippered barriers. Mr. Jablonski stated that Caltrans is predicting the cost to be about \$500K per year, however that cost is not finalized and may change. Mr. Gloria asked, after the BRT service begins, at what point should there be a discussion about changing the current service levels which have a budgetary impact. Mr. Jablonski stated that all services were decided earlier in the year and are currently reflected in the budget. Mr. Gloria also inquired about employee compensation for the bargaining units and asked how their agreements were changing in regards to merit pool increases and salary grade increases. Mr. Thompson stated that the salary growths for the bargaining units are between 2-3%, depending on which specified bargaining unit.

Mr. Alvarez inquired about the TransNet operating subsidy cost and asked how that money was determined. Mr. Thompson stated that part of the money is formula based and the other part of the money is from reimbursement for TransNet projects. Mr. Alvarez asked what the total TransNet amount is for MTS. Mr. Thompson stated the total TransNet amount for MTS is \$36M. Mr. Alvarez also asked whether this would fully reimburse for the BRT and SuperLoop costs, or if it was a partial reimbursement. Mr. Thompson stated that it reimburses the net operating costs. Mr. Roberts, for additional clarification, discussed the differences between TransNet I versus TransNet II.

#### Action Taken

Mr. Minto moved to: (1) receive a report on the proposed combined MTS fiscal year 2015 operating budget; and (2) recommend staff hold a public hearing on June 19, 2014 with the purpose of reviewing the proposed combined MTS fiscal year 2015 operating budget. Mr. Ewin seconded the motion, and the vote was 13 to 0 in favor with Ms. Bragg and Ms. Emerald absent.

#### 3. Public Comments

No public comments.

### **BOARD MEETING**

#### 5. a. Roll Call

Chairman Mathis called the Board meeting to order at 9:45 a.m. A roll call sheet listing Board member attendance is attached.

#### b. Approval of Minutes

Mr. Minto moved to approve the Minutes of the April 17, 2014, MTS Board of Directors meeting. Ms. Cole seconded the motion, and the vote was 13 to 0 in favor with Ms. Bragg and Ms. Emerald absent.

#### c. Public Comments

*Marvin Smith* – Mr. Smith discussed the issue of crowdedness on the buses. He stated that on certain buses it is so crowded that people stand past the yellow line at the front of the bus. He commented that people are not giving up their seats for the elderly and disabled. Mr. Smith also stated that people are bringing items on the buses that are not allowed, such as large carts that block additional seats. He stated that the bus drivers do not say anything to prevent people from blocking the seats. Mr. Smith said that he has waited for the number 35 bus several times and the bus never showed up to the bus stop. He also stated that the bus drivers are not telling

people to give up their seats to the elderly and disabled. Mr. Mathis stated that the Chief Operating Officer of the bus division has made notes of the comments that were made.

*Shiela Kazemaini – UClick Properties LLC.* Ms. Kazemaini stated that she and her husband recently purchased an apartment building in Hillcrest, which houses 11 families. She explained that bus stop number 12027 is located directly in front of their apartment building. She explained that she is requesting MTS remove or relocate the bus stop because it is creating four different issues. Ms. Kazemaini stated the first issue is the noise the buses make coming into and out of the stop every day. She said the second issue is safety, because the bus stop has a blind spot next to the driveway of the apartment building which makes it dangerous for cars coming in and out of the driveway. She explained the third issue is a health hazard from the bus stop due to fumes coming from the buses and going into the apartment windows. She stated the fourth and final issue is the smoking problem coming from the bus patrons waiting at the bus stop. She explained that the bus benches are 7 feet away from the apartment windows, which are the only source of ventilation for the apartments. Ms. Kazemaini said she has repeatedly contacted MTS, City Councilmembers and the American Lung Association about these issues. She stated that she has two new viable bus stop locations. She explained that she has received a response from Mr. Jablonski stating that MTS will not move the bus stop because of the cost and because it is an established high traffic transfer point. Chairman Mathis stated that if some of the other speakers would like to give up their spot to speak, that Ms. Kazemaini could speak for a longer time period. Pam Shelton volunteered to give up her public comment spot so Ms. Kazemaini could continue to speak. Ms. Kazemaini stated that there are other transfer points a few blocks down from the current bus stop and that the current bus stop could easily be moved. She stated that they have reported several violations to MTS enforcement and nothing has been done regarding their issues. Ms. Kazemaini stated that a member of the American Lung Association would be installing air quality monitors in the apartment units to measure the effects of the cigarette smoke from the bus stop. Ms. Kazemaini stated that she created packets for each of the Board members which included pictures of people smoking at the bus stop.

*John Strain* – Mr. Strain explained that he is a resident at Ms. Kazemaini's Hillcrest apartments and said the cigarette smoke coming from the bus stop outside of the apartment complex is a nuisance. He gave examples of when he has witnessed people smoking at transit areas and said that the transit security guards did not do anything to stop the people from smoking. Mr. Strain said he has called MTS to complain several times about the smoking problems and is wondering when MTS will act on the complaints.

*Dan Shelton* – Mr. Shelton stated that he is also a resident at Ms. Kazemaini's Hillcrest apartments. He stated that the bus stop is polluting the apartments and leaving residue on the apartment windows. Mr. Shelton asked that the Board members review Ms. Kazemaini's packet and strongly consider moving the bus stop down the street to the 4<sup>th</sup> and Robinson bus stop.

*Pam Shelton* – Ms. Shelton gave up her spot to speak so Shiela Kazemaini could have a longer speaking slot.

Mr. Mathis thanked all the speakers for bringing this matter to the Board's attention. He stated that since this item was not on the Board agenda, they would not be able to further discuss the matter.

## 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 April 15, 2014

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 April 15, 2014.

7. Investment Report – March 2014  
Informational item only. No action taken.
8. Unallocated Transportation Development Act (TDA) Funds for Transit-Related Projects  
Action would approve the use of \$20,000 in unallocated TDA funds currently held by the County of San Diego. These TDA funds, along with the \$121,610 that the City of Santee already received in fiscal year 2011, will allow for the installation of five bus shelters in the City of Santee.
9. Employee Benefits Broker/Consulting Services – Contract Award  
Action would authorize the CEO to execute MTS Doc. No. G1677.0-14 with Leavitt Group for the provision of employee benefits broker/consulting services for a three-year base period with 2 one-year option terms; and exercise each option year at the CEO's discretion.
10. MTS Job Order Contract Work Order for Grade Crossing Replacement at Central Avenue, Merlin Drive, and North Avenue  
Action would authorize the CEO to execute Work Order No. MTSJOC 1582-27, MTSJOC 1582-28, and MTSJOC 1582-30 with Herzog Contracting Corporation to perform work under MTS Doc. No. PWL134.0-12 for the replacement of grade crossings located at Central Avenue, Merlin Drive, and North Avenue on the Orange Line.
11. SDTC Imperial Avenue Division (IAD) Bus Wash Replacement – Contract Award  
Action would authorize the CEO to execute MTS Doc. No. PWB149.0-14 with Telliard Construction for the provision of a new bus wash system, including demolition of the existing bus wash and site improvements to accommodate the new bus wash.

Action on Recommended Consent Items

Ms. Cole moved to approve Consent Agenda Item Nos. 6-11. Mr. Minto seconded the motion, and the vote was 13 to 0 in favor with Mr. Cunningham, Ms. Bragg and Ms. Emerald absent.

CLOSED SESSION

24. None.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. None.

REPORT ITEMS

45. Operations Budget Status Report for March 2014

Mike Thompson reported on the March 2014 operating results compared to the amended fiscal year 2014 budget. He stated that the total operating revenue is currently unfavorable by -0.4%.

Mr. Thompson explained that the total operating expenses are currently at budget and there is no variance. He stated that the total combined net operating variance is unfavorable by -0.1%. He also reviewed the on-going concerns including the sales tax subsidy revenue, State of California budget, passenger levels and energy prices.

46. Quarterly Performance Monitoring Report

Denis Desmond, Manager of Planning, began the presentation and explained that MTS Policy No. 42 requires that staff report service performance monitoring to the Board on an annual basis. Staff will also report on a quarterly basis to give the Board insight as to how the year is progressing. He highlighted some of the critical metrics that staff looks at including total passengers and noted that there is a new Rapid category added to this metric. He also reviewed the average weekday passengers and passengers per revenue hour metrics. Janelle Carey, Associate Planner, discussed on-time performance, preventable accidents per 100,000 miles, and reviewed the highlights for July 2013 through March 2014. She stated that the next update will take place in Fall 2014.

Mr. McClellan asked what our fare recovery rate is compared to our ridership. Ms. Carey stated that in FY2013, the trolley fare box recovery rate was 55.3%. She also said that staff will check with the Finance department for current numbers to update the Board. Mr. Minto asked for an overview of how the compass card is used by the public. Mr. Desmond gave a brief overview of how the compass card program operates. He also stated that we currently have the ability to track the number of uses per card for a monthly pass. Mr. Minto also commented that it would be interesting to see how many times a card has been used compared to the automatic passenger counters (APC) on the trolleys.

60. Chairman's Report

None.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin stated that the next Audit Oversight Committee meeting will be on June 12, 2014. He explained there will be a number of items regarding the audit and will report those items back to the Board.

62. Chief Executive Officer's Report

Mr. Jablonski reported on his trip to China and stated that it was an extraordinary trip and a great learning experience. He said he provided some consulting services in Shanghai relating to the development of light rail. Mr. Jablonski stated that they traveled to a city called Chongqing, which has the largest monorail system in the world. He said the city of Chongqing built 100 miles of their monorail system in the last 10 years. Mr. Jablonski also reported on his trip to Kansas City for the APTA Bus and Paratransit Conference.

63. Board Member Communications

Mr. Gloria congratulated Mr. Roberts on the County Waterfront Park opening that occurred the past weekend.

64. Additional Public Comments on Items Not on the Agenda

*Valerie Hightower* – Ms. Hightower stated that the Euclid trolley and bus station has a rat infestation and needs to be addressed. She also said that she was escorted off of bus number 1867 on route number 5, because she opened the hatch window. She said that a lot of the bus windows are locked and would like to see the bus windows be unlocked.

*Thomas Brili* – Mr. Brili stated that there is a problem with the new bus vehicles due to the handicap seats being reduced by four seats. He said that people sitting in that area of the bus need to get up and move because there is now less room. He also said there are now three levels inside of the bus instead of two levels, which also causes a reduction in the number of seating.

65. Next Meeting Date

The next regularly scheduled Board meeting is on June 19, 2014.

66. Adjournment

Chairman Mathis adjourned the meeting at 10:33 a.m.



Chairperson, ~~VICE CHAIRMAN~~  
San Diego Metropolitan Transit System

Filed by:



Clerk of the Board  
San Diego Metropolitan Transit System

Approved as to form:



General Counsel  
San Diego Metropolitan Transit System

Attachments: A. Roll Call Sheet

METROPOLITAN TRANSIT SYSTEM  
BOARD OF DIRECTORS  
ROLL CALL

MEETING OF (DATE): May 15, 2014

CALL TO ORDER (TIME): 9:05 a.m.

RECESS: N/A

RECONVENE: \_\_\_\_\_

CLOSED SESSION: N/A

RECONVENE: \_\_\_\_\_

PUBLIC HEARING: N/A

RECONVENE: \_\_\_\_\_

ORDINANCES ADOPTED: N/A

ADJOURN: 10:33 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ALVAREZ	<input checked="" type="checkbox"/> (Zapf) <input type="checkbox"/>	9:10 a.m.	10:33 a.m.
BRAGG	<input type="checkbox"/> (Bilbray) <input type="checkbox"/>		
COLE	<input checked="" type="checkbox"/> (Zapf) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
CUNNINGHAM	<input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
EMERALD	<input type="checkbox"/> (Zapf) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Arapostathis) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
GASTIL	<input checked="" type="checkbox"/> (Jones) <input type="checkbox"/>	9:05 a.m.	10:33 a.m.
GLORIA	<input checked="" type="checkbox"/> (Zapf) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
MATHIS	<input checked="" type="checkbox"/>	9:00 a.m.	10:33 a.m.
MCCLELLAN	<input checked="" type="checkbox"/> (Ambrose) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
MINTO	<input checked="" type="checkbox"/> (McNelis) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
OVROM	<input checked="" type="checkbox"/> (Denny) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
RIOS	<input checked="" type="checkbox"/> (Sotelo-Solis) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:00 a.m.	10:33 a.m.
SALAS	<input checked="" type="checkbox"/> (Ramirez) <input type="checkbox"/>	9:12 a.m.	10:33 a.m.

SIGNED BY THE CLERK OF THE BOARD: 

CONFIRMED BY THE GENERAL COUNSEL: 