

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

MINUTES

March 9, 2017

[Clerk's note: Except where noted, public, staff and board member comments are paraphrased].

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:06 a.m. A roll call sheet listing Board member attendance is attached.

2a. Fiscal Year 2017 Midyear Adjustment (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, provided a presentation on the Fiscal Year (FY) 2017 midyear adjustment. He reviewed the FY 2017 revenue assumptions summary for passenger fare revenue, TransNet, Transportation Development Act (TDA), State Transit Assistance (STA), and other non-operating revenue including Fastrak revenue and reserve revenue. Mr. Thompson reviewed the revenue summary noting that total revenue is unfavorable by 1.7%. He discussed the expense assumptions summary for personnel costs and outside services. Mr. Thompson reviewed the expense summary and noted that total expenses are favorable by 1.7%, which result in a balanced budget for FY 2017.

Mr. Alvarez inquired about the passenger fare revenue projections. Mr. Thompson replied that staff looks at passengers per revenue hour to make projections on passenger fare revenue. He asked what a 1% drop in passenger levels equals in revenue dollars. Mr. Thompson replied that 1% is equal to \$950,000. Mr. Alvarez asked if MTS always uses SANDAG's projections for TransNet. Mr. Thompson replied that MTS is required to use SANDAG's projections for TransNet and TDA. Mr. Alvarez asked how much more STA money MTS can use for operations. Mr. Jablonski stated that approximately one-third of STA money is being used on operations and the remaining is used for capital since STA money is not always guaranteed. Mr. Alvarez inquired about state funding for transportation. Mr. Jablonski stated that staff is tracking a bill going through the state legislature for transportation funding which would double the STA money. He said that the bill may not pass, but we will keep the Board updated on its status. Mr. Alvarez asked about the decrease in Fastrak money. Ms. Cooney replied that Fastrak has capital infrastructure needs and a portion of the money will be used for their capital needs.

Mr. Roberts commented on the decrease in passenger levels. Mr. Jablonski stated that the entire country is seeing decreased passenger levels. There is some evidence that low gas prices and high car sales is contributing to the decrease. There is also data that vehicle miles traveled have been increasing. He noted that since working to stop the use of fraudulent SDM passes, we've seen some ridership loss. He also said that we've seen many communities shift away from being primarily transit dependent residents, to residents with personal vehicles.

Mr. Sandke commented on the correlation between the better economy and the decrease in ridership. He also noted that the decrease in sales tax does not correlate with the better

economy, because that number seems like it should be going up since more people are doing better economically. He asked what law or regulation states that MTS is legally required to use SANDAG's projections for TransNet funding. Mr. Thompson replied that MTS's legislation requires it and states that since SANDAG is our regional planning agency we are required to use their assumptions.

Ms. Gomez inquired about what we are doing to encourage transit in areas where people can afford cars. Mr. Jablonski commented that we are conducting a Transit Optimization Plan (TOP) which will recommend adjustments to service and service areas to help improve and encourage transit. He commented that the TOP will have recommendations for these changes and will be brought back over the spring and summer. He also said that we are conducting a marketing campaign to encourage new riders, such as mobile ticketing and real time arrival.

Ms. Cole inquired about the formula revenue decrease. Mr. Thompson replied that number is TransNet money which is connected to sales tax.

Ms. Rios commented about other factors that may affect our ridership numbers in the future such as driverless vehicles and no Charger football games. She noted that there are also communities where people do not work where they live which makes taking transit more difficult. She said that we need to be aware of these factors and think of possible solutions for the future.

Action Taken

Ms. Zapf moved to enacted Resolution No. 17-4 amending the fiscal year (FY) 2017 operating budget for the San Diego Metropolitan Transit System (MTS), San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), MTS Contract Services, and the Coronado Ferry. Ms. Cole seconded the motion and the vote was 14 to 0 in favor with Mr. Cunningham absent.

2b. Fiscal Year 2018 Operating Budget Discussion (Mike Thompson)

Mr. Thompson provided a presentation on the FY 2018 operating budget. He discussed the high level assumptions for revenues and expenses. Mr. Thompson reviewed the preliminary projections and the recommended BDC action plan. Mr. Jablonski commented on the future of the budget. He stated that if the state does not pass a transportation funding bill, we will have to look to other means to bridge the future funding gap. He discussed the current fare categories and the possibility of proposed changes to the fares based on the fare study conducted by SANDAG. Mr. Jablonski noted that MTS has not had a fare increase since 2009. He said that since that time there have been a lot of changes including the minimum wage increase; however we have kept the same rates of fare. As a result of this, many of our numbers are dipping including cost per passenger, subsidy per passenger, and farebox recovery ratio. He commented that approximately 40% of all passengers have a Senior/Disabled/Medicare (SDM) pass, which is only 25% of the full fare. Based on the recent fare study, staff is going to review possible changes to the senior age requirement, Disabled/Medicare discount rate, day passes and monthly passes.

Mr. McWhirter inquired about the revenues and expenses between the bus and trolley. Mr. Thompson replied that trolley is approximately 55% and the bus is approximately 40% for fare versus expenses. He also stated that total ridership is approximately 60% for bus and 40% for trolley.

Lastly, Mr. Thompson reviewed the BDC calendar for the year.

Mr. Alvarez asked about the STA projections for FY 2018. Mr. Thompson replied that STA is budgeted for \$3.6 million in the FY 2018 operating budget. Mr. Alvarez inquired about the TransNet formula funding. Mr. Thompson and Mr. Jablonski described the differences in fare subsidies based on the fare categories. They also detailed the differences in fare subsidy provided to MTS in FY 2006 and FY 2016, noting that the percentage has increased substantially which results in less subsidy going towards operations reimbursement.

Action Taken

Informational item only. No action taken.

2c. Fiscal Year 2018 Capital Improvement Program (Mike Thompson)

Mr. Thompson provided a presentation on the FY 2018 Capital Improvement Program (CIP). He discussed the development and process of the CIP for FY 2018. He reviewed the CIP project highlights including bus revenue vehicles, SD100 trolley vehicles, Courthouse Station project, fare system upgrades, and other miscellaneous rail, bus and administrative projects. There are a total of 46 projects funded in the FY 2018 CIP. Mr. Thompson discussed the capital funding levels that will be used to fund the CIP including recurring revenues such as federal, TDA and STA funding, and non-recurring revenues such as Cap-and-Trade funding, CNG credits and other miscellaneous funding. Mr. Thompson reviewed the historical CIP funding levels and noted that there has been \$781 million in total CIP funding over the previous 10 years. He also presented the projections of CIP funding for the next five fiscal years.

Ms. Gomez inquired how projects are decided to be put on the CIP list if there is a deficit in funding. Mr. Thompson replied that all projects listed in the recommendation are currently funded. Mr. Marinesi noted that staff goes through a process to rank each project by priority to come up with the final list of funded projects. Ms. Gomez asked for the list of social equity principles. Ms. Cooney replied that staff puts together a report on social equity principles and she can provide that report.

Mr. Minto inquired about the cost of the storm damage over the past few weeks. Mr. Thompson replied that we don't have those numbers right now, but generally the reimbursement for that cost would be paid in future years and would come out of the operating budget.

Mr. McWhirter inquired about the size of the mini buses and ADA buses. Mr. Thompson replied that the ADA buses are slightly smaller than the mini buses. Mr. McWhirter inquired about the life expectancy of trolleys. Mr. Thompson replied that the life expectancy is 25-30 years for trolleys.

Mr. Alvarez asked when the next update would be on the next generation fare system. Ms. Cooney replied that by June staff will bring back an update on the progress that has been done on the project. Mr. Alvarez inquired why staff is asking for approval of the CIP budget today and not when the operating budget is approved in a couple months. Mr. Thompson replied that there is timing dependencies on the CIP budget, primarily the submittal of grants which will not change based on funding levels, as well as the RTIP that we are required to submit to

SANDAG. He noted that we can always amend the CIP budget at any time if needed. Mr. Alvarez asked about TDA funding and projections. Mr. Thompson replied that the county administers TDA and distributes the funds. He stated that the county generally has a reserve of about 5%, however that number recently grew in past years so they are slowly drawing down the money to get back to a 5% reserve. Mr. Alvarez stated that he would like to add to the motion to request staff to bring back a list of prioritization of projects as more money becomes available so the Board is aware of what will be funded next.

Action Taken

Mr. Alvarez moved to: (1) Approve the fiscal year 2018 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels. As the federal appropriation figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels; (2) Recommend that the San Diego Association of Governments (SANDAG) Board of Directors approve the submittal of Federal Section 5307, 5337 and 5339 applications for the MTS fiscal year 2018 CIP; (3) Recommend that the SANDAG Board of Directors approve amendment number 3 of the 2016 Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2018 CIP recommendations; and (4) Staff will bring back a list of prioritization of projects to the Board as more money becomes available to fund those projects. Mr. Sandke seconded the motion, and the vote was 12 to 0 in favor with Mr. Arambula, Mr. Cunningham and Ms. Zapf absent.

3. Public Comments

Richard Thompson – Mr. Thompson requested for the resignation of Mr. Jablonski. He also commented that the Board seems to always vote unanimously.

5b. Approval of Minutes

Mr. McWhirter moved to approve the minutes of the February 16, 2017, MTS Board of Directors meeting. Ms. Bragg seconded the motion, and the vote was 12 to 0 in favor with Mr. Arambula, Mr. Cunningham, and Ms. Zapf absent.

CONSENT ITEMS

6. Amendment to Chief Executive Officer Employment Agreement

Action would approve an amendment to the Executive Employment Agreement between MTS and Paul C. Jablonski to provide additional compensation and fringe benefits.

7. California Governor's Office of Emergency Services (CalOES) California Transit Security Grant Program (CTSGP) Funding, Fiscal Year 2016-2017

Action would approve Resolution No. 17-2, authorizing the use of, and application for, \$2,223,555 of CTSGP for capital projects that provide increased protection against security and safety threats, and/or increases the capacity of transit operators to prepare for disaster-response transportation systems that can move people, goods, emergency personnel and equipment in the aftermath of a disaster.

8. Fiscal Year 2016-2017 Low Carbon Transit Operations Program (LCTOP) Funding
Action would: (1) Agree to comply with all conditions and requirements set forth in the Certification and Assurances Document, and applicable statutes, regulations, and guidelines for all LCTOP funded transit projects; (2) Authorize the Chief Executive Officer (CEO), or designated representative, to execute all required documents of the LCTOP and any amendments thereto with the California Department of Transportation; (3) Authorize the use of, and application for, \$1,696,280 in Fiscal Year 2016-2017 LCTOP funding for capital projects which reduce greenhouse gas emissions and approve mobility with a priority on serving disadvantaged communities; and (4) Certify that at least 50% of the total LCTOP funds received will be spent on projects or services that will benefit Disadvantaged Communities (DAC) identified in Section 39711 of the Health and Safety Code.
9. MTS Sale of 2005 New Flyer 40' Bus (No. 2725) to Transdev Services, Inc.
Action would authorize the negotiated sale of MTS Vehicle No. 2725 (2005 40' New Flyer, VIN No. 5FYC4FP135C027962) to Transdev Services, Inc.
10. Unallocated Transportation Development Act Funds For Transit-Related Projects
Action would approve the use of unallocated Transportation Development Act (TDA) funds currently held by the County of San Diego for transit-related expenses for the City of National City.
11. Amended and Restated Ground Lease Agreement with CCATT LLC at the Massachusetts Trolley Station
Action would authorize the Chief Executive Officer (CEO) to execute an amended and restated ground lease with CCATT LLC for current and additional cellular equipment at the Massachusetts Trolley Station.
12. Property Insurance Renewal
Action would authorize the Chief Executive Officer (CEO) to renew the property insurance coverage for the San Diego 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, 2017, through March 31, 2018, 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).
13. Authorization to Increase Legal Service Contract with Leidle, Larson, Lidl & Vail, LLP to Pay Projected Expenses
Action would authorize the Chief Executive Officer (CEO) to approve increasing the Leidle, Larson, Lidl & Vail, LLP contract by \$400,000 to cover anticipated legal expenses.
14. San Diego Trolley Heavy Duty Forklift - Contract Award
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1331.0-17 with Lift King Manufacturing Corporation for the purchase of one (1) heavy duty forklift.
15. S70 and SD100 Printed Circuit Boards - Sole Source Contract Award
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1359.0-17, with Siemens Industry, Inc., on a sole source basis, for the purchase of printed circuit boards (PCB) and related items.

16. Investment Report - January 2017

17. Motorized Switch Machines and Controllers for the Courthouse Station - Sole Source Contract Award

Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1365.0-17 with Advanced Transit Solutions, Inc., on a sole source basis, for the purchase of the Courthouse Station motorized switches and controllers.

18. Relocation of SDG&E Facilities for the New Orange Line Courthouse Station - Negotiate Work Order Under a Job Order Contract

Action would authorize the Chief Executive Officer (CEO) to negotiate the not to exceed Work Order No. MTSJOC7504-26, under MTS Doc. No. PWL204.0-16 with ABC Construction, Inc., for the relocation of SDG&E's facilities on C Street, between Front and State Street, as part of the new Orange Line Courthouse Station Project.

Action on Recommended Consent Items, excluding No. 6

Mr. Minto moved to approve Consent Agenda Item Nos. 7 – 18. Mr. McClellan seconded the motion, and the vote was 12 to 0 in favor with Mr. Arambula, Mr. Cunningham and Ms. Zapf absent.

Action on Recommended Consent Item No. 6

Mr. Minto moved to approve Consent Agenda Item No. 6. Mr. McClellan seconded the motion, and the vote was 10 to 2 in favor with Mr. Alvarez and Ms. Gomez voting no, and Mr. Arambula, Mr. Cunningham and Ms. Zapf absent.

CLOSED SESSION

24. None.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS:

30. Potential Funding Measure Update (Karen Landers)

Sharon Cooney, Chief of Staff, began the presentation on the potential funding measure. She stated that this item is a follow up from the last Board meeting to answer questions that were raised and needed to be further researched. Ms. Cooney noted that there were \$7.4 billion in projects in Measure A for MTS. There was an estimated \$4.1 billion in revenue from the sales tax to fund those projects, as well as a \$3.3 billion match. In addition, there was transit operations funding that would have added another \$2.0 billion in the life of Measure A. She reviewed the voting results between MTS and NCTD jurisdictions. MTS had a 60% approval rating and NCTD had a 55% approval rating. Ms. Cooney reviewed proposed bills that could provide legislative assistance including AB 1324 by Assemblymember Gloria, SCA 6 by Senator

Weiner, ACA 4 by Assemblymember Aguiar-Curry and AB 805 by Assemblymember Gonzalez-Fletcher. AB 1324 would allow Metropolitan Planning Organizations (MPOs) to levy a sales tax in less than the entire jurisdiction and revenues could only be spent in the jurisdictions included. SCA 6 and ACA 4 would reduce the voter threshold to 55%. AB 805 is currently a spot bill which means we do not know the substance of the bill at this time, but it could affect MTS.

Karen Landers, General Counsel, continued the presentation and discussed the research done regarding infrastructure districts. She stated that there are two kinds of infrastructure districts – Infrastructure Financing Districts (IFDs) and Enhanced Infrastructure Financing Districts (EIFDs). She reviewed the meanings of IFDs and EIFDs and noted that neither option appear as viable as sales tax for MTS.

Ms. Cooney also commented that staff was not able to obtain the information on what the revenue would have been for the MTS jurisdiction if Measure A passed. SANDAG originally thought they would have access to that information, but ultimately did not have that information available.

Mr. Sandke asked for additional information on AB 805. Ms. Cooney replied that bill is currently a spot bill which means the author is still waiting to submit the actual language of the bill.

Mr. Alvarez inquired if SANDAG will be providing the information previously requested. Ms. Cooney replied that staff from SANDAG ultimately found that they did not have the ability to access the information requested. Mr. Alvarez asked for more clarification for the match funding that was in Measure A. Ms. Cooney replied that Measure A would require match money to come from MTS.

Mr. Alvarez requested to make a motion to add to the legislative program to seek legislation to allow MTS to seek a ballot measure for providing transit services and projects within its jurisdiction or any portion thereof.

Action Taken

Mr. Alvarez moved to add to the legislative program to seek legislation to allow MTS to seek a ballot measure for providing transit services and projects within its jurisdiction or any portion thereof. Ms. Gomez seconded the motion, and the vote was 11 to 1 in favor with Mr. Minto voting no, and Mr. Arambula, Mr. Cunningham and Ms. Zapf absent.

REPORT ITEMS

45. Annual Security Report (January 1, 2016 through December 31, 2016) (Manny Guaderrama)

Manny Guaderrama, Chief of Police, provided a presentation on the annual security report for calendar year 2016. He briefly reviewed the transit enforcement components and the UPS security contract changes. Mr. Guaderrama reviewed the security staffing and deployment change which was approved at the last Board meeting. He then discussed the Part I reported crimes for trolley; Part I crimes by sector; MTS response to Part II crimes for trolley; bus calls for service; MTS response to Part I crimes for bus; MTS response to Part II crimes for bus; and assaults. Mr. Guaderrama discussed the details and results of the Joint Agency Task Force

(JATF); fare inspections and citations; special enforcement details; SDM inspections; quality of life details; copper wire theft and ongoing training.

Ms. Salas asked if the Board could be provided with a list of crimes in the MTS member cities. Mr. Guaderrama stated that he could provide the list of crimes at each trolley station in every member city.

Ms. Cole inquired about the documented gang member contacts and how security is contacting those individuals. Mr. Guaderrama replied that information is kept by the police department and the JATF, not by MTS officers. He noted that the majority of the contacts made by the JATF are a result of a fare violation.

Ms. Zapf inquired if the JATF statistics are unique numbers with unique individuals or if some statistics are made by one individual for multiple incidents. Mr. Guaderrama replied that information is kept by the JATF, but it is possible that one individual is listed for multiple incidents or crimes.

Ms. Bragg commented on the quality of life issue. She stated that she would like to see those numbers increased especially on the unruly conduct because it impacts every rider. Mr. Jablonski commented that staff will continue looking into code of conduct ordinances to help enforce unruly behavior.

Action Taken

Informational item only. No action taken.

48. Mobile Ticketing Update (Rob Schupp) (TAKEN OUT OF ORDER)

Rob Schupp, Director of Marketing and Communications, provided an update on mobile ticketing. Mr. Schupp discussed the procurement process, features and costs associated with mobile ticketing. He reviewed the next steps including the stage environment, beta testing and go-live date which will take place on March 30th. Mr. Schupp also reviewed the positioning of mobile ticketing, utilizing the Compass brand and the fraud prevention and security features of mobile ticketing. Sean Walcott, with Moovel, provided a demonstration of the new mobile ticketing application. Mr. Schupp continued the presentation and noted that there will be a three month marketing campaign after the launch of the application which will include radio, digital, social and print marketing.

Ms. Gomez asked if this application works with any type of phone. Mr. Schupp replied that it works on both androids and iPhones.

Ms. Zapf asked if a person could buy more than one day pass at a time. Mr. Schupp replied that a person could buy up to ten day passes at one time. Ms. Zapf inquired about the estimate of 3% market penetration in year one. Mr. Schupp replied that is the current estimate, but we are hoping for a high percentage.

Mr. Alvarez inquired if there is any integration with other applications such as One Bus Away. Mr. Schupp stated that you will be able to launch into trip planning, but not within the application itself. Mr. Alvarez inquired if MTS will be offering special discount codes to encourage people to

use the application and new riders. Mr. Schupp replied that we are looking into using special discount codes in future phases.

Ms. Rios asked if this app will be available in an iPad. Mr. Walcott replied that the application is best used in a smartphone however it can be used on a tablet. Ms. Rios inquired about large groups using the application. Mr. Walcott noted that there will be a limit of ten day passes per purchase. He stated that with this application, it is recommended that each user have an individual account.

Action Taken

Informational item only. No action taken.

46. Fiscal Year 2017 Second Quarter Performance Monitoring Report (Denis Desmond)

This item was deferred to the April 2017 meeting.

Action Taken

Informational item only. No action taken.

47. Transit Optimization Plan (TOP) Update (Denis Desmond)

This item was deferred to the April 2017 meeting.

Action Taken

Informational item only. No action taken.

60. Chairman's Report

There was no Chairman's report.

61. Chief Executive Officer's Report

There was no Chief Executive Officer's report.

62. Board Member Communications

There were no Board Member communications.

63. Additional Public Comments on Items Not on the Agenda

There were no additional public comments.

64. Next Meeting Date

The next regularly scheduled Board meeting is April 13, 2017.

65. Adjournment

Chairman Mathis adjourned the meeting at 12:00 p.m.

/s/Harry Mathis

Chairperson

San Diego Metropolitan Transit System

Filed by:

Approved as to form:

/s/Julia Tuer

Clerk of the Board

San Diego Metropolitan Transit System

/s/Karen Landers

General Counsel

San Diego Metropolitan Transit System

Attachment: Roll Call Sheet