

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

MINUTES

February 4, 2021

[Clerk's note: Except where noted, public, staff and board member comments are paraphrased. Note that the meeting was conducted via webinar to comply with public health orders].

1. Roll Call

Chair Fletcher called the Executive Committee meeting to order at 9:00 a.m. A roll call sheet listing Executive Committee member attendance is attached.

2. Approval of Minutes

Chair Fletcher moved to approve the minutes of the December 3, 2020, MTS Executive Committee meeting. Board Member Sandke seconded the motion, and the vote was 5 to 0 in favor with Vice Chair Sotelo-Solis and Board Member Salas absent.

3. Public Comments

There were no Public Comments.

COMMITTEE DISCUSSION ITEMS

4. San Diego Transit Corporation (SDTC) Pension Investment Status (Jeremy Miller, Representative from RVK and Larry Marinesi)

Larry Marinesi, MTS Chief Financial Officer, provided a brief background on the various MTS pension plans. Jeremy Miller, with RVK, presented on the SDTC pension investment status. He outlined the following aspects of the pension: investment structure as of June 30, 2020, investment details as of June 30, 2020, Fiscal Year (FY) 2020 performance, Fiscal Year to Date (FYTD) performance, long-term performance details and investment structure summary.

Board Member Sandke voiced his concern with a 0.5% return figure. He asked about the risk and equity mix in the portfolio and asked if the performance figures incorporated management fees.

Mr. Marinesi clarified the one-year return at the end of the calendar year was 8.9%, which is above the actuarial target of 6.75%. He noted that the 0.5% return at the end of the fiscal year is in large part due to the COVID-19 pandemic.

Mr. Miller clarified the risk percentage is calculated in a way to ensure there is growth potential in the portfolio. He noted that the duration of the liability will continue to shorten within the closed plan, and as that duration shortens, the amount of equities in the plan would continue to decrease.

Mr. Marinesi stated that management fees are approximately 50 basis points on an annualized basis, which is at the lower threshold in the fee spectrum. He also noted that the agency has seen a strong recovery with over 13.5% returns over the last six months.

Board Member Elo-Rivera asked about agency standards and policies regarding ethics and values that drive where funds are invested.

Mr. Miller clarified the agency is co-fiduciary and the asset structure is developed jointly. He explained that RVK's goal is to help assist in placing funds into accounts that will provide a maximized return in the risk profile to satisfy liability needs. He noted they are able to provide assistance with any other goals MTS may wish to pursue in relation to the plan.

Ms. Cooney clarified that MTS does not have a policy with regard to investments. She noted that staff has looked into options that would help further social equity goals, but also maintain strong financial investment returns.

Mr. Marinesi explained that staff would need to understand the legality of reallocating investments. He noted that the fees related to these types of investments would be three to four times more than what the agency currently pays. Mr. Marinesi stated that staff would need to further explore and research this aspect of the investment.

Chair Fletcher asked staff to present on this topic at a later date.

Ms. Cooney recommended the topic be addressed at a future Budget Development Committee (BDC) meeting. She noted that because there would be a financial trade off to this request, the committee would need to assess the reallocation of other funds to pay for higher fees.

Chair Fletcher asked that the item be introduced to the BDC, then brought to the Executive Committee for further discussion.

Board Member Elo-Rivera noted he hoped to optimize the investments of the agency, but would also like to make sure MTS is not investing its funds in areas that counters the mission.

Board Member Gastil commented that CalPERS may be an entity that is socially conscious in its investments and suggested staff look to other agencies as models.

#### Action Taken

Informational item only. No action taken.

5. San Diego Transit Corporation (SDTC) Employee Retirement Plan's Actuarial Valuation as of July 1, 2020 (Anne Harper and Alice Alsberghe of Cheiron, Inc. and Larry Marinesi)

Anne Harper and Alice Alsberghe, with Cheiron, presented on the SDTC employee retirement plan's actuarial valuation as of July 1, 2020. They outlined the following aspects of the results including: plan cost changes, plan history contributions and funding, membership and support ratio, COVID-19 impact on plan assets, projected total contributions, project funded ratio, stochastic projection of contributions, and next steps.

Board Member Sandke asked if the agency could realize the returns sooner, rather than the projected pay off date of 2038.

Mr. Marinesi clarified the agency moved into a closed plan in 2012, and twenty-five years from that date, the plan's total unfunded actuarial liability fully would be paid off. The decision was approved by the Board and the agency moved forward with implementation. He noted that decisions would need to continuously be made for the next 10 years of the plan, assessing actuarial gains and losses. Currently, the plan continues to be on the projected trajectory to reach the goal of fully paying off the unfunded actuarial liability by 2037.

Board Member Sandke noted the plan is fiscally responsible assuming all the assumptions are met. He noted he continued to be unsatisfied with the investment performance over time relative

to the market volatility. He concluded the plan is financially prudent and meets the goal approved by the Board in 2012.

Ms. Cooney noted the agency strives to make these investments with as little risk as possible. She asked Mr. Marinesi to briefly discuss the portfolio and what the portfolio would look like if the agency decided for a higher investment risk strategy.

Mr. Marinesi noted the plan is invested and diversified in the stock market with positions in equities and bonds. He cited CalPERS as an example with economies of scale that have private investments such as real estate. The \$160 - \$180 million agency plan is not large enough to participate in these types of investments to provide liquidity needed to satisfy benefit payments for the pensioners. He noted the limitations to this plan that larger plans, such as CalPERS or the San Diego County pension plan, do not have to account for. He noted that reducing fees is prudent. The agency needs assets available in order to meet obligations and satisfy pension benefit payments.

#### Action Taken

Chair Fletcher moved to forward a recommendation to the Board of Directors to receive the SDTC Employee Retirement Plan's actuarial valuation as of July 1, 2020, and adopt the pension contribution amount of \$17,585,592 for fiscal year 2022. Board Member Gastil seconded the motion, and the vote was 5 to 0 in favor with Vice Chair Sotelo-Solis and Board Member Salas absent.

6. Zero Emission Bus (ZEB) Pilot Performance and Transition Plan Update (Mike Wygant & Kyle Whatley)

Michael Wygant, MTS Chief Operating Officer – Transit Services; and Kyle Whatley, MTS Zero Emission Project Specialist, presented on the ZEB pilot performance and transition plan update. They outlined the following aspects of the plan: policy history, timeline, ZEB pilot program performance report, monthly fleet efficiency, average efficiency by route, efficiencies vs. temperatures, compressed natural gas (CNG) vs. Battery Electric-Bus (BEB) monthly mileage, CNG vs. BEB fuel & maintenance, availability, mean distance between failures, ZEB deployment, Disadvantaged Community (DAC) routes by division, charging infrastructure, funding, transition costs, upcoming milestones, procurement timeline and 25% early adoption pathway.

Chair Fletcher included an update from the California Air Resources Board (CARB), noting there were significant funding challenges with Greenhouse Gas Reduction Funds (GGRF). He noted that CARB was anticipating transportation allocations through an equity fund. CARB is working with the legislature and Governor's office in order to assist transit agencies.

Board Member Sandke was encouraged with the cost comparison. He noted the cost was higher; however, the tradeoff was an environmental benefit. He noted the maintenance cost would be significantly lower over time and asked if there would be a progressive savings for maintenance labor. He also inquired about the overhead gantry chargers.

Heather Furey, MTS Director of Capital Projects, clarified buses and chargers are built in tandem to support the bus in its lifetime. She explained the structure that will support the chargers is versatile and easy to retrofit in order to meet the demands of the changing infrastructure.

Mr. Wygant agreed that the infrastructure allows for flexibility. He noted the open protocols and charger standards have allowed the agency to charge various buses using the same charging station. He also noted the overhead charging infrastructure versatility for the next fleet would have to abide by open standard protocols. He explained mileage interval for preventative maintenance would remain at the same level for now. CARB, along with other projections, shows there will be less labor maintenance over time compared to a combustion vehicle; however, there has yet to be a reduction in the industry. He noted that maintenance labor might become infrastructure labor.

Board Member Sandke acknowledged the infrastructure transition and noted funding would be a challenge in the future.

Action Taken

Informational item only. No action taken.

7. Eat, Shop, Play Business/Ridership Marketing Campaign (Rob Schupp)

Rob Schupp, MTS Director of Marketing and Communications, presented on the Eat, Shop, Play business and ridership marketing campaign. He outlined the following aspects of the small business support program: context to the program, co-operative marketing pilot program, selected neighborhood, shop to ride incentive, operation, recruiting business partners, promotion, milestones for measurable success, MTS service to communities and timeline.

Board Member Aguirre asked if the program launch date could be delayed so businesses could be included. She also asked if vendors could join the program after the launch date.

Mr. Schupp clarified the program would be ongoing, with recruitment in the beginning phases. He noted a dedicated website would show the participating businesses.

Board Member Aguirre noted cross promotion on social media would also be beneficial to the communities.

Board Member Sandke asked about routes in San Diego that serve both tourist and employment demands. He asked if the agency could identify such routes and rebrand the routes.

Mr. Schupp confirmed there were various routes available that did this and he would explore a branding strategy.

Action Taken

Informational item only. No action taken.

OTHER ITEMS

8. REVIEW OF DRAFT February 11, 2021 BOARD AGENDA

Recommended Consent Items

6. Mid-Coast Corridor Transit Project – Projected Staffing

Action would approve an additional 15 Security and Information Technology (IT) positions to support the Mid-Coast Corridor Trolley (Mid-Coast) extension.

7. Excess Liability and Worker's Compensation Insurance Renewals
8. Zero-Emission Bus (ZEB) Procurement Project: 60-Foot Low-Floor Electric Buses – Issuance of Purchase Order to New Flyer of America, Inc. (New Flyer)  
Action would authorize the Chief Executive Officer (CEO) to issue a Purchase Order to New Flyer for the purchase of twelve (12) 60-foot low-floor electric battery-powered buses in the amount of \$18,558,245.40.
9. On-Call Construction Management and Engineering/Inspection Services – Assignment Increase  
Action would authorize the Chief Executive Officer (CEO) to execute Amendment No. 2 to MTS Doc. No. G2023.0-17 with the San Diego Association of Governments (SANDAG) in the amount of \$1,000,000. The new total value of the contract shall not exceed \$5,000,000.
10. Printed Circuit Boards (PCBs) and Electronic Components – Contract Amendments  
Action would: 1) Ratify Amendment No. 1 to MTS Doc. No. L1476.0-19 with Siemens Mobility Inc., in the amount of \$90,000; and 2) Authorize the Chief Executive Officer (CEO) to approve Amendment No. 2 to MTS Doc. No. L1476.0-19 with Siemens Mobility Inc., for PCBs and Electronic Components, for a total of \$350,000.
11. Provision of Hewlett Packard Enterprise (HPE) Nimble HF20 Array Equipment and Support to Replace Regional Transit Management System (RTMS) 3PAR Storage Array (3PAR) – Purchase Order  
Action would authorize the Chief Executive Officer (CEO) to execute a Purchase Order to Nth Generation Computing Inc. for the provision of HPE Nimble HF20 Array equipment and support to replace the RTMS 3PAR in the amount of \$106,834.56.
12. On-Call Electrical Repair Services – Contract Amendment  
Action would: 1) Ratify MTS Doc No. PWG253.0-18 (Attachment A) with ACM Lighting Services (ACM), a Disadvantaged Business Enterprise (DBE), for on-call electrical repair services for a period of one base year and two optional one-year extensions in the amount of \$22,130.00 for the base year only; 2) Ratify Amendment No. 1-3 to MTS Doc No. PWG253.0-18 (Attachment B-D) with ACM to add additional funds for on-call electrical repair services in the amount of \$75,743.20; and 3) Authorize the Chief Executive Officer (CEO) to execute Amendment No. 4 to MTS Doc No. PWG253.0-18 (in substantially the same format as Attachment E), with ACM to add locations and funds for on-call electrical repair services in the amount of \$25,568.00, for a new contract total of \$123,441.20.
13. Design Services for the Fashion Valley Elevator Project – Work Order Amendment  
Action would: 1) Ratify Work Order Amendment Nos. 1-4 under MTS Doc No. G1949.0-17 with Jacobs Engineering Group, Inc. (Jacobs) totaling \$99,945.60, for additional design services; and 2) Authorize the Chief Executive Officer (CEO) to execute Work Order Amendment No. 5 WOA1949-AE-15.05 under MTS Doc. No. G1949.0-17 with Jacobs in the amount of \$20,068.12 for additional Design Support During Construction (DSDC) services for the Project.

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14. America Plaza Pedestrian Enhancements Project – Award Work Order Contract  
Action would authorize the Chief Executive Officer (CEO) to execute Work Order WOA1951-AE-63 to MTS Doc. No. G1951.0-17 with Mott MacDonald in the amount of \$749,706.49 for design services for the America Plaza Pedestrian Enhancements Project

15. Investment Report – Quarter Ending December 31, 2020

9. Committee Member Communications and Other Business

Ms. Cooney noted that consent item number 7 would be moved to the discussion section of the Board agenda. The item discusses how rail properties are facing high increases in insurance costs. She explained the self-insured liability would need to be increased to \$5 million per year. Ms. Cooney recommended moving the ZEB Pilot Performance and Transition Plan Update to the March 11<sup>th</sup> Board of Directors meeting.

Julia Tuer, Manager of Government Affairs, briefly discussed the items on the SANDAG Transportation Committee meeting agenda. The items included the following: Transnet bond issuance proposal; short-term note refunding to meet funding commitments for the Major Corridors Program; the 2021 Regional Transportation Improvement Plan; and an update on PRONTO, the next generation fare collection system.

10. Next Meeting Date

The next Executive Committee meeting is scheduled for March 4, 2021, at 9:00 a.m.

11. Adjournment

Chair Fletcher adjourned the meeting at 10:44 a.m.



Chairperson

San Diego Metropolitan Transit System

Attachment: Roll Call Sheet

SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
EXECUTIVE COMMITTEE

ROLL CALL

MEETING OF (DATE): March 4, 2021 CALL TO ORDER (TIME): 9:01 am  
 RECESS: \_\_\_\_\_ RECONVENE: \_\_\_\_\_  
 CLOSED SESSION: \_\_\_\_\_ RECONVENE: \_\_\_\_\_  
 PUBLIC HEARING: \_\_\_\_\_ RECONVENE: \_\_\_\_\_  
 ORDINANCES ADOPTED: \_\_\_\_\_ ADJOURN: 10:46 am

REPRESENTATIVE	BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
County	FLETCHER (Chair)	<input checked="" type="checkbox"/> (Vargas) <input type="checkbox"/>	9:01 am	10:46 am
Vice Chair	SOTELO-SOLIS	<input checked="" type="checkbox"/> (no alternate) <input type="checkbox"/>	9:03 am	10:46 am
City of San Diego	ELO-RIVERA	<input checked="" type="checkbox"/> (Montgomery Steppe) <input type="checkbox"/>	9:01 am	10:46 am
East County	GASTIL	<input checked="" type="checkbox"/> (Hall) <input type="checkbox"/>	9:03 am	10:46 am
SANDAG Transportation Committee	MONTGOMERY STEPPE	<input checked="" type="checkbox"/> (Aguirre) <input type="checkbox"/>	9:01 am	10:46 am
Chair Pro Tem	SALAS	<input type="checkbox"/> (no alternate) <input checked="" type="checkbox"/>	-	-
South Bay	SANDKE	<input checked="" type="checkbox"/> (Aguirre) <input type="checkbox"/>	9:01 am	10:46 am

SIGNED BY THE CLERK OF THE BOARD:

CONFIRMED BY THE GENERAL COUNSEL:

  
