

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

April 14, 2005

BOARD OF DIRECTORS MEETING ROOM, 10TH FLOOR
1255 IMPERIAL AVENUE, SAN DIEGO

MINUTES

Finance Workshop – 8:00 a.m.

1. Roll Call

Budget Development Committee Chairman Rindone called the meeting to order at 8:06 a.m. A roll call sheet listing Board member attendance is attached.

Chairman Rindone welcomed Jillian Hanson-Cox, alternate for Mark Lewis, and Rosalie Zarate, alternate for Ron Morrison.

2. a. MTS: FY 2006 Budget Development (FIN 310.1, PC 30100)

Mr. Cliff Telfer, MTS Interim Chief Financial Officer, reported that MTS has been unable to match the level of its recurring expenses to its recurring revenues for several years and has used anywhere between \$10 million - \$15 million of nonrecurring revenues to balance the budget. He reported that almost 20 percent of last year's budget was funded from nonrecurring revenue sources. He added that the only nonrecurring revenues included in the FY 06 budget are \$4.58 million CMAQ for operating MVE. He stated that this funding is classified as nonrecurring because it is earmarked for start ups only and is only available for the first three years of a new service. Mr. Telfer reported that the FY 06 budget has just under a \$5 million deficit that does take into account cost savings that will result from the Comprehensive Operational Analysis (COA).

Mr. Tom Lynch, MTS Controller, reviewed FY 06 operating revenues, operating revenue by division (SDTC, SDTI, Multimodal), and subsidy revenue. Mr. Larry Marinesi, Budget Manager, reviewed expenses by division, for the system as a whole, and by functional component. He also reviewed the FY 06 Debt Service Schedule and the Energy Analysis. He stated that diesel will be budgeted at \$1.80 per gallon and CNG at 1.06 per therm.

Mr. Jablonski stated that MTS has both operating and capital budget issues, and staff's focus has been on the operating budget. He stated that MTS is fortunate

that there was additional growth in subsidy this year and added that staff worked hard to keep costs low in for FY 06. He added that a 3.8 percent increase in operating cost, given that most of MTS's labor costs are fixed by contracts, is not bad. He also stated that staff has been able to reduce the use of nonrecurring revenues to just under \$5 million, which is about a \$10 million reduction from last year. He added that, if not for MVE, MTS would be close to having a balanced budget for FY 2005. He advised the Board that when CMAQ money is no longer available, MTS will then have an operating deficit \$6 million to \$7 million for MVE.

Mr. Jablonski then reported that MTS is potentially losing Jobs Access Reverse Commute (JARC) and Air Pollution Control District (APCD) funding. He reported that MTS and SANDAG will be approaching the APCD to discuss reversal of their decision not to continue to provide funding and will be pursuing a legislative initiative to reauthorize JARC funding for FY 06. He stated that the Board will be asked to make a policy decision that reduces the level of MTS service to meet its funding if these two funding sources are not reinstated. He added that staff is also taking an aggressive approach with legislators to fund the replacement of paratransit vehicles.

Mr. Jablonski reviewed MTS's use of Bus Rapid Transit (BRT) funding of \$4,414,000 to balance MTS's budget (\$1,977,000) with the balance (\$2,437,000) used to fund part of the Capital Improvement Program.

Mr. Marinesi reviewed how operational efficiencies identified during Phase I of the COA would impact the FY 06 budget. Mr. Jablonski stated that these efficiencies involve some cuts in service and some changes in the way MTS operates. Mr. Marinesi also stated the staff recommends capping Federal Section 5307 funding for operational purposes at \$23.2 million, and that all increases in this funding be used for capital purposes.

In response to a question from Mr. Ewin, Mr. Jablonski stated that maintenance costs can be funded in a variety of ways without using Section 5307 funds. He stated that by using these other approaches, Section 5307 funds can be preserved for capital purposes. He added that capital funding, especially when used to purchase new equipment, can reduce maintenance costs. Mr. Jablonski explained to Mr. Ewin that staff has done a lot of work in the area of identifying infrastructure needs and will provide a more extensive report on this issue as part of the capital improvement process that begins in the fall.

In response to a comment from Mr. Monroe, staff reported that the budget anticipates that trolley ridership to PETCO Park will be less than last year due to the availability of parking downtown. In response to a question from Mr. Monroe, staff reported that a review of the futures market for fuel was conducted prior to developing the fuel assumption for the budget. Mr. Rindone pointed out that the Budget Development Committee decided to increase the fuel assumption from \$1.60 to \$1.80 per gallon for diesel. Mr. Rindone called attention to the increase in National City expenses. Mr. Lynch explained that the City of National City is asking for \$90,000 to cover the financial and administrative services they provide to National City Transit, which they did not previously receive. Mr. Rindone

added that the Budget Development Committee gave Mr. Jablonski other options to explore with National City. Ms. Zarate stated that National City has new management, which may account for the change in their approach. She offered to check into this matter.

Mr. Monroe stated that there should be more criteria established for services that are funded by JARC. He stated that he would like to staff to perform an analysis of this service and use this information to make decisions regarding the future of these routes. Mr. Monroe also objected to placing a cap on the use of Section 5307 funds stating that he does not like caps. Ms. Atkins acknowledged the efforts of Mr. Jablonski and his accurate portrayal of MTS's position in a variety of areas. She reported that the Capital Improvement Program presentation given to the Board recently was one of the best reports she had ever seen. She stated that she looked forward to more reports as there was much information to be absorbed. She also thanked Mr. Jablonski for providing practical ideas for solving MTS's problems. She requested that the Board be provided with criteria for the four routes funded by APCA at such time that the Board is asked to make a decision regarding the continuation of those routes. Mr. Roberts requested that Mr. Jablonski contact him after he and Mr. Gallegos meet with the APCD.

Mr. Ewin requested a detailed report on MTS's debt service including what it's for, how many years it runs, known revenue that can be applied to it, and how long the revenue runs. He stated that the Board should always be cognizant this information as it makes decisions. Mr. Rindone stated that this information will be incorporated into the Finance Workshop on May 12, 2005. Mr. Ewin requested that this information be provided before the workshop so Board members have an opportunity to review it prior to the meeting. He also requested that staff's next report on the capital improvement program detail how much of the capital outflow is directly attributed to new vehicles as well as retrofits and adjustments to stations and station platforms. Mr. Jablonski reported that replacement of rail cars is the system's largest capital expense (130 rail cars costing between \$3 million and \$4 million each).

Peter Warner: Mr. Warner stated that staff's presentation did not include an identification of kilowatt hour usage or ridership anticipated for special events. Mr. Jablonski pointed out where this information appears in staff's report. Mr. Jablonski stated that additional parking has become available since the first year of PETCO Park operation, and staff has taken that into consideration in the development of ridership projections.

Action Taken

Mr. Williams moved to receive the Combined MTS FY 2006 Operating Budget report and provide guidance on balancing the fiscal year 2006 budget. Mr. Ewin seconded that motion, and the vote was 13 to 0 in favor.

A five-minute recess was taken at 9:16 a.m. before starting the Board Meeting.

Board Meeting – 9:00 a.m.

3. a. Roll Call

Chair Williams called the meeting to order at 9:22 a.m. A roll call sheet listing Board member attendance is attached.

b. Approval of Minutes

Mr. Emery moved to approve the minutes of the March 24, 2005, Board of Directors meeting. Mr. Rindone seconded the motion, and the vote was 15 to 0.

c. Public Comment

Peter Warner: Mr. Warner asked why there was no map on the Take Ones for the upcoming public hearing on service changes.

Margo Tanguay: Ms. Tanguay requested that a single, uniform taxi fare should be adopted by all the cities in the San Diego region. She also stated that operators should be allowed to collect up to that fare amount. She stated that this would give the taxi drivers the discretion to accept lower fares in certain emergency-type situations. She also requested that fares for pedicabs not be set exorbitantly high. Susan Hafner, MTS Director of Multimodal Operations, stated that National City, Chula Vista, and Coronado are the only cities that make it illegal for taxicab drivers to charge less than the fare displayed on the meter.

Clive Richard: Mr. Richard stated that he was unable to get to the Board meeting on time. He stated that he was using Route 13 to connect to Route 40, which was running hot and ahead of the Route 13. He stated that he should have been at 12th & Imperial at 8:39 a.m. but arrived at 9:10 a.m. instead. He stated that, since public speaker slips indicate that they must be completed prior to the start of the meeting, he had been disenfranchised. Mr. Jablonski stated that staff would check into this matter and report back to Mr. Richard.

4. Presentation of Employee Awards

There were no Employee Awards.

5. Closed Session Items (ADM 122)

The Board convened to Closed Session at 9:31 a.m. for:

- a. CONFERENCE WITH LEGAL COUNSEL – Existing Litigation Government Code Section 54956.9(a): MTDB v. RV Communities, California Court of Appeal, Fourth Appellate District Case No. D042545.

The Board reconvened to Open Session at 9:57 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, MTS General Counsel, reported the following actions taken in Closed Session:

- a. The Board received a report from outside counsel and gave direction to outside counsel in the matter of MTDB v. RV Communities.

CONSENT ITEMS

6. MTS: DART/Flex Services – Contract Extension (OPS 980.9, PC 30133)

Recommend that the Board of Directors authorize the CEO to exercise six carryover months allowable under the current contract (MTS Document No. B0228.0-00) with Southland Transit, Inc. for the DART/Flex-route services.

7. MTS: Helix Water District Request for Easement (CIP 10426.6)

Recommend that the Board of Directors authorize the CEO to execute an easement with Helix Water District to ratify the installation of water facilities within MTS-owned property on Keeney Street in La Mesa, located on Assessor Parcel No. 469-100-03, in substantially the same form as shown on Attachment A of the agenda item.

Recommended Consent Items

Mr. Ewin moved to approve Consent Agenda Item Nos. 6 and 7. Mr. Rindone seconded the motion, and the vote was 13 to 0 in favor.

NOTICED PUBLIC HEARINGS

There were no Noticed Public Hearings.

DISCUSSION ITEMS

30. MTS: Budget-Related Service Efficiencies (ADA 121.10, PC 20484)

Mr. Conan Cheung, MTS Director of Planning and Performance Monitoring, provided the Board with a briefing on the proposed service efficiencies for which there will be a public hearing on April 28, 2005. He also introduced Russ Chisholm, of Transportation Management & Design, Inc., MTS's consultant for this project. He reviewed the service efficiency guidelines for Phase I of the Comprehensive Operational Analysis (COA) explaining that Tier 1 and Tier 2 service efficiencies will occur during Phase I of the project while Tier 3 service changes will occur during Phase II. He reviewed the types of efficiencies and results that are expected to occur during Phase I. Mr. Cheung advised the Board that the cost for SDTC to add one bus to a route is \$250,000 annually for maintenance, fuel, and an operator. Mr. Cheung also reviewed the results of MTS's public/rider outreach efforts and stated that there is a lot of interest in sweeping changes. He described the proposed service efficiencies and reported the number of passengers affected, the subsidy per passengers, and the amount of subsidy saved by each. Mr. Cheung reported that staff conservatively estimates that \$3,583,869 will be saved by implementing the recommended service efficiencies. He stated that the

efficiencies will not yield that savings the first year because some of the efficiencies will not be implemented until September. He advised the Board that meetings are being held with the Centre City Development Corporation (CCDC) to discuss a more efficient downtown layover.

In response to a question from Mr. Jones, Mr. Cheung assured him that MTS would still provide adequate service to cover school trips on the Route Nos. 832 and 834. Mr. Cheung stated that, even though the recommended service changes do not exceed 25 percent of MTS's service, they are being subjected to the public hearing process and Board review. He reported that staff feels that since these changes are part of the COA process, it would be beneficial to be as comprehensive as possible in taking comments from the public regarding this service. Also in response to a question from Mr. Jones, Mr. Cheung reported that staff conducts performance monitoring activities and implements service changes three times a year. Mr. Jablonski confirmed that there is ongoing analysis of route performance but that a comprehensive review of the entire system has not previously been carried out. He reported that a study of this type should be conducted every 10 years, and staff will benefit from the experience they are gaining through the COA process.

Chairman Williams pointed out that the new study will improve MTS's efforts to maximize the value that is returned to the public for its tax dollars. He stated that the Board has made decisions in the past that don't follow that principle and needs to have the courage to make decisions that do. In response to a question from Ms. Atkins, Mr. Cheung reported that Route No. 7 will be included as part of a review of the entire University Avenue corridor. Mr. Jablonski stated that this corridor is one of the backbones of the MTS system, and service changes need to be carefully evaluated to ensure they don't negatively impact ridership. Mr. Ewin stated that he appreciated that staff developed standards for evaluating MTS services that were applied across the board. He also thanked staff for the objectivity of the analysis. Mr. Ewin also stated that it is important that staff be cognizant of Smart Growth principles, and that SANDAG needs to step forward and work to make transit a primary resource when people are making travel-mode decisions.

Mr. Monroe asked why rural service, which has a very high subsidy, was not included in staff's analysis. Mr. Cheung reported that this service is considered life-line service and will be included in Phase II of the COA when policy decisions will be made.

Peter Werner: Mr. Werner made suggestions regarding Route No. 5.

Clive Richard: Mr. Richard expressed support of the COA process. He also pointed out the combining routes is different from truncating routes.

Action Taken

Mr. Rindone moved to receive this information in preparation for the Public Hearing on April 28, 2005, regarding service efficiencies for Phase I of the Comprehensive Operational Analysis (COA). Mr. Roberts seconded the motion, and the vote was 13 to 0 in favor.

REPORT ITEMS

45. MTS: Operations Budget Status Report for February 2005 (FIN 310.1, PC 30100)

Mr. Marinesi provided the Board with an overview of the Operations Budget Status Report for February 2005. He reviewed operating revenues and expenses, a summary of the operating subsidy variances, and net subsidy and other expenditures for combined operations. He explained that the subsidy variances occurred because rail operations, rail operation materials and supplies, and combined risk expenses (legal) were higher than anticipated. In addition, revenue from internal bus fare was lower than anticipated.

Mr. Monroe complimented staff on the report, in particular, the information on the subsidy variances. Mr. Jablonski stated that there were some unusual parts expenses for trolley that were a one-time expense and primarily a timing issue. He stated that February may be an anomaly, and results could be more positive in March and April.

Action Taken

Mr. Monroe moved to receive the MTS Operations Budget Status Report for February FY 05. Mr. Emery seconded the motion, and the vote was 13 to 0 in favor.

46. SDTC: Preventive Maintenance Program Update (OPS 960.2, PC 30101)

Ms. Claire Spielberg, Chief Operating Officer – Bus, reviewed SDTC's Preventive Maintenance Program. She reminded the Board that this program was started one year ago and has consumed the efforts of SDTC's Maintenance Department. She reviewed the progression of the program and reported that many systems had to be designed to implement the program. She added that all other shop work had to continue at the same time. She provided the Board with displays showing some of the reporting and tracking that was developed to monitor the program's activities and progress. She stated that SDTC made a decision to change its policy and more aggressively pursue body repairs that were badly needed. She stated that use of the new Ellipse system enabled staff to do parts tracking and engage in predictive maintenance. She reviewed improvements in performance indicators as outlined in the agenda item. Mr. Ewin suggested that these positive results be publicized.

Action Taken

Mr. Rindone moved to receive this report. Mr. Ewin seconded the motion, and the vote was in favor.

60. Chairman's Report (ADM 121.7, PC 30100)

Chairman Williams advised Board members of the customer appreciation event that was to be conducted just outside the building and invited Board members to attend.

61. Chief Executive Officer's Report (ADM 121.7, PC 30100)

Renewal of Laidlaw Contract: Mr. Jablonski advised Board members that a memorandum prepared by Ms. Susan Hafner, Director of Multimodal Operations, had been placed at the table. He stated that this letter is staff's response to public comments that were made at the March 10, 2005, Board meeting regarding the renewal of MTS's contract with Laidlaw for ADA Paratransit service.

Seattle Delegation Tour: Mr. Jablonski stated that Board members were also provided with a memorandum regarding a delegation of leaders from the City of Seattle that will be visiting San Diego next week to learn about San Diego's transportation system. He stated that they will be given a tour of Mission Valley East.

FTA Security Visit: Mr. Jablonski advised the Board that staff members have been working with the FTA as part of their Security and Emergency Technical Assistance Program. He stated that, under this program, the FTA is conducting security reviews of the 30 largest transportation systems in the U.S. He stated that they are in the process of doing an entire threat assessment and security evaluation of the MTS system. He also reported that the Department of Homeland Security has recently issued a notice regarding a grant opportunity for \$2.1 million, and the only candidates are San Diego Trolley and The Coaster. He added that, under this same program, \$500,000 has been designated specifically for SDTC.

New Flyer Bus in New Paint Scheme: Mr. Jablonski advised Board members that a new New Flyer Bus with the new paint scheme is on display downstairs. He stated that this is the first of 47 new buses that will arrive over the next two months.

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 Thursday, April 28, 2005, at 9:00 a.m. in the same location.

65. Adjournment

Chairman Williams adjourned the meeting at 11:14 a.m.

Chairman
San Diego Metropolitan Transit
Development Board

Filed by:

Approved as to form:

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

Office of the General Counsel
San Diego Metropolitan Transit
Development Board

Attachment: A. Roll Call Sheet

[gail.williams/minutes](#)