

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

May 24, 2007

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

FINANCE WORKSHOP

1. Roll Call

Vice Chair Rindone called the meeting to order at 8:23 a.m. A roll call sheet listing Board member attendance is attached.

2. MTS: FY 2008 Budget Development (FIN 310.1, PC 50601)

Mr. Jablonski, MTS CEO, stated that MTS's FY 2008 proposed budget has changed significantly since the last time it was presented to the Board. He reported that SANDAG notified MTS about four weeks ago that TransNet funding had been overprojected. He added that, in response to questions from MTS staff, SANDAG then evaluated sales tax returns that fund the Transportation Development Act (TDA) and have reported that these funds were also overprojected by about \$7 million. He stated that MTS is now projected to receive \$9.2 million less than previously projected. Mr. Jablonski stated that staff would be recommending a short-term solution for approval at this point in time and would come back to the Board at some time in the near future with a long-term solution that utilizes recurring revenues. He reported that staff members have been working hard to maximize State funding that is becoming available but that this funding would most likely not consist of recurring revenues.

Mr. Larry Marinesi, MTS Budget Manager, reviewed the FY 2008 budget recap and provided updates on FY 2007 and 2008 subsidy funding. Mr. Marinesi then reviewed the recommended short-term solution for addressing the current budget deficit. These solutions included using budget savings from FY 2007, expected compressed natural gas (CNG) fuel credits, and increases in State Transit Assistance (STA) recurring revenues. He reported that in seeking a long-term solution, staff will consider fare increases, service changes, union contracts under negotiation, revenue vehicle advertising, the postponing of the Performance Incentive Plan, and a hiring freeze for additional positions in the FY 2008 budget.

Mr. Lewis stated that raising fares will not encourage increases in ridership that would generate more revenues and suggested that fares be lowered instead. Mr. Rindone stated that the Budget Development Committee will be studying the elasticity of demand when evaluating whether or not to recommend increasing fares. It was stated that any potential fare increase should be looked at in conjunction with the introduction of Smart Cards and an entire restructure of fares. Mr. Rindone explained that, at this point, staff was simply identifying options to be

evaluated. Mr. Jablonski added that there are some elements of the regional fare policy that need to be reviewed given that some transit patrons are riding for 50 cents per day. He stated that staff will be reviewing all options and welcomed input from Board members with ideas. Mr. Emery stated that, even though the Comprehensive Operational Analysis (COA), has been completed, there are still some areas where service was left in place that was less productive than desired with the understanding that it would be reevaluated at a later time. He also stated that he would be less in favor of cutting service used by those who are totally transit dependent than cutting service to those who are not transit dependent.

In response to a question from Ms. Atkins, Mr. Jablonski explained that North County Transit has an even bigger challenge because they do not have budget savings for FY 2007, are not eligible for CNG rebates, have committed most of their financial resources to the Sprinter, and don't have reserves that can be used. He reported that they are facing a \$4 million deficit. Mr. Cliff Telfer, MTS CFO, reported that North County Transit is considering cutting all Sunday service.

Ms. Atkins stated that this is a regional problem and should be discussed at a regional level at SANDAG. She stated that work should be done collectively to solve this problem for air quality and traffic congestion reasons. Mr. Roberts stated that Ms. Atkins was right to the extent that MTS might get some financial relief from SANDAG but felt that idea was optimistic at best. He also expressed concern about the Governor's recent attempt to divert TDA "spillover" funds from transit to other things. He added that MTS must determine how to work within its budget and should consider anything possible to arrive at a solution. Ms. Atkins stated that she was not suggesting that SANDAG solve the problem but that everyone work as partners on this regional problem. Mr. Jablonski stated that this issue is being worked on collaboratively, and that SANDAG has been actively lobbying the Governor's office about state-wide transit funding. He pointed out that all of southern California is being affected. Ms. Atkins added that she would like to participate in the meetings with legislators.

Mr. Young suggested that MTS explore leasing opportunities related to properties it holds. Mr. Jones agreed with Mr. Young's suggestion and requested that staff prepare a report to the Board that provides information on all current leases, lease payments, and leasing opportunities. Mr. Roberts pointed out that work is already underway to identify and pursue joint development opportunities. He reported that he and MTS staff members recently traveled to Los Angeles to look at MTA's joint developments, which are among the best in the country. He reported that MTS's next joint development would probably be at Grantville, and that efforts will be made to maximize a continuing return from each project. Mr. Young stated that discussions of this topic, which have been occurring at the Executive Committee level, should be moved to the Board. Ms. Tiffany Lorenzen, MTS Legal Counsel, pointed out that a list of MTS-held properties was presented to the Board a number of months ago and would be a good place to start in providing the requested information.

Mr. Ewin stressed the importance of establishing a firm financial foundation equivalent to the cost of the services that MTS provides.

Mr. Roberts expressed concern that TransNet money is being used by SANDAG for things that are not connected to transportation such as replacement of beach sand, storm-water runoff, and open-space management, etc. He stated that MTS Board members who also serve as representatives at SANDAG are attempting to address this concern.

Mr. McLean distributed an article from the Sacramento Bee by Dan Walters titled "Transit's pockets get picked."

Public Comment

There was no Public Comment on this item.

Action Taken

Mr. Emery moved to receive a report on the FY 2008 operating budget. Mr. Ewin seconded that motion, and the vote was 13 to 0 in favor.

The Finance Workshop was adjourned and a recess was taken at 9:15 a.m.

BOARD MEETING

4. a. Roll Call

Chairman Mathis called the meeting to order at 9:39 a.m. A roll call sheet listing Board member attendance is attached.

b. Approval of Minutes

Mr. Roberts moved to approve the minutes of the April 26, 2007, Board of Directors meeting. Mr. Emery seconded the motion, and the vote was 12 to 0 in favor.

c. Public Comment

Joy Sunyata: Ms. Sunyata stated her affection for transit and stated that transit is vital and important. She thanked MTS for everything it does. She stated that she hoped there would be a discussion of the public's reluctance to abandon cars and use public transit.

Chuck Lungerhausen: Mr. Lungerhausen reported that he contributed a total of \$7,120 to the 2007 MTS Walk. He stated that individuals who contributed would be receiving a personal thank you from him via the mail. Mr. Lungerhausen briefly discussed mixed consists and compatibility problems between different trolley car types.

SPECIAL ANNOUNCEMENT

APTA Safety Award: Mr. Jablonski announced that San Diego Transit was recently runner-up for the APTA Safety Award. He stated that this award is the result of the tremendous progress made within the agency. He recognized the following employees: Jim Byrne, Dan Trent, Kevin Richardson, Kevin Behan, Carmen Naranjo, Steve Johnson, and Michelle Sheperd.

DISCUSSION ITEMS (*Taken Out of Order*)

32. MTS: Airport Transit Plan (S RTP 840.9.1, PC 50451)
(Taken Out of Order)

Executive Committee Member of the Regional Airport Authority Board Charlene Zettel, Director of Airport Planning Keith Wilschetz, and Manager of Airport Planning Mr. Ted Anasis were introduced to the Board. Mr. Anasis presented the Airport Transit Plan and focused specifically on the recommended transit improvements. He reviewed the Plan's timeline, issues with the existing transit service to the airport, and the recommended tiered approach for making transit improvements.

Mr. Young stated that he was proud to be a representative of the City of San Diego on the Airport Authority Board and added that it was a top-notch organization like MTS. He stated that it was clear that more ways need to be identified for connecting the MTS system with the airport. He stated that he liked the concept of off-site check-in and express service to the airport. Mr. Anasis pointed out that this concept would be used along congested corridors such as the I-15 or I-805 corridors and that a building or shared space would be needed to house this function. In response to another question from Mr. Young, Mr. Wilschetz explained that the Federal Aviation Administration (FAA) can provide funding only for those services that are exclusively dedicated to the airport and may provide proportionate funding for services that are not.

Mr. Mark Thomsen, MTS Senior Transportation Planner, reported that MTS staff members have been involved in discussions of this matter since the initiation of the study. He stated that the Airport Authority Board has been informed of MTS's concerns about using the Old Town Transit Center as an originating point for transit service to the airport. He added that parking is almost at capacity now, and MTS would object to any plan that would displace existing patrons.

Mr. Roberts expressed his concern over the proposed plan. He stated that both the MTS Executive Committee and SANDAG have made comments regarding revisions that should be made to the plan yet no changes have been incorporated into the plan. He added that SANDAG actually voted against the plan and issued a White Paper on the matter. Mr. Roberts stated that individuals traveling to the airport with luggage will not be interested in using transit and making multiple transfers to get to the airport. He also stated that the airport must address the severe traffic congestion that exists on Grape and Hawthorne. Mr. Roberts also added that the MTS created a trolley station at Palm Street based on a previous airport plan that was subsequently never implemented. He stated that the recommended plan is impractical with respect to transit and is fraught with problems. He also stated that it does not appear that the airport has been working with Caltrans to resolve any of its problems. He added that the Airport Authority needs to meet with Caltrans to discuss a plan for moving people in cars. He stated that there should be some public transit serving the airport but that everyone needed to be realistic about how many people would use it.

Mr. Ewin asked if all these changes should be pursued just to serve 2,000 people per day. Mr. Monroe stated that he agreed that the Old Town Transit Center is too crowded to serve as an origination point for transit to the airport. He stated that he couldn't imagine that a dedicated transit lane would be feasible either given that Harbor Drive is projected to be gridlocked by 2009. He agreed with Mr. Roberts' comments about having a plan that addresses traffic issues related to the airport. Mr. Rindone stated that MTS would like to be part of the solution and requested that airport staff consider the Board's input. Mr. Emery agreed that ridership on airport services would be minimal and stated that, given MTS's shortfall, he didn't know how

MTS could make any service improvements to the airport. He also stated that Amtrak does not stop at the Old Town Transit Center. Ms. Atkins agreed that the proposed plan was not workable for the reasons already given and suggested that the plan be reworked to address the comments that have been made. Mr. Roberts suggested that airport staff consider the old plan, which moved airport terminals to Pacific Highway, where transit service is more feasible. He stated that transit is not competitive in this circumstance. Mr. Monroe stressed that any plan needs to be integrated to handle both auto and transit.

Mr Young suggested that the policymakers from the Airport Authority Board and the MTS Board have a joint meeting to discuss this matter. Mr. Ewin suggested that meeting participants be required to use transit to get to this meeting.

Action Taken

Mr. Young moved call for a joint meeting of the San Diego Regional Airport Authority Board and the MTS Board to discuss the proposed Airport Transit Plan. Mr. Roberts seconded the motion, and the vote was 12 to 0 in favor.

CONSENT ITEMS

6. MTS: Investment Report (FIN 300, PC 50601)

Recommend that the Board of Directors receive this report for information.

Recommended Consent Items

Mr. Rindone moved to approve Consent Agenda Item No. 6. Mr. Emery seconded the motion, and the vote was 12 to 0 in favor.

NOTICED PUBLIC HEARINGS

25. MTS: Proposed North Central Area Bus Changes to Routes 25, 120, and 926/927
(S RTP 820.9, PC 50451)

Mr. Denis Desmond, MTS Senior Transportation Planner, reviewed the proposed service changes for Routes 25, 120, and 926/927. He reviewed ridership numbers as well as community comments that have been received since the original changes to these routes took place as part of the COA. He also provided an overview of the benefits of implementing the recommended changes. He projected that 300 extra passengers per day are expected, which justifies the out-of-direction travel being implemented on Route 120. Mr. Desmond added that the recommended changes will improve passenger convenience and the allocation of resources. In response to a question from Mr. Jones, Mr. Desmond explained that Route 25 doesn't have the capacity or frequency (hourly) to provide the service that the Route 120 would provide on the east side of I-163 if the proposed changes are approved.

Chairman Mathis opened the public hearing at 10:53 a.m.

Clive Richard: Mr. Richard stated that, while he is not opposed to better service for Linda Vista, he opposes out-of-direction travel.

Donna Erickson, Transportation Committee and Linda Vista Planning Group: Ms. Erickson stated that the out-of-direction travel being recommended was minimal and that Linda Vista is very happy about the changes.

Peter Warner: Mr. Warner asked why two routes were serving the east side of I-163.

Chairman Mathis closed the public hearing at 10:59 a.m.

Ms. Atkins stated that staff was doing a very good job of refining MTS's service and balancing that with community requests. She stated that she appreciated that staff was listening to comments from the communities.

Action Taken

Mr. Monroe moved to (1) conduct a public hearing on the proposed changes to Routes 25, 120, and 926/927 bus service; and (2) approve the proposed changes for implementation on September 2, 2007. Mr. Emery seconded the motion, and the vote was 11 to 0 in favor.

CLOSED SESSION: *(Taken Out of Order)*

24. Closed Session Items (ADM 122)

The Board convened to Closed Session at 11:00 a.m.

- a. MTS: CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant Exposure to Litigation Pursuant to California Government Code Section 54956.9(b): (One Potential Case)

The Board reconvened to Open Session at 11:54 a.m.

Oral Report of Final Actions Taken in Closed Session

Mr. Jablonski reported the following:

- a. The Board received a report and gave direction to staff.

DISCUSSION ITEMS (Continued)

30. MTS: Audit Oversight Committee (ADM 110.7, PC 50101)

Chairman Mathis introduced Mr. Ken Kuhn, Manager of the San Diego offices of Caporicci & Larson, MTS's auditors. Mr. Cliff Telfer, MTS Chief Financial Officer, reported that recommendations for the formation of the Audit Oversight Committee and the process the Committee would use were outlined in Attachments A and B of agenda item. He stated that the first document presents a revised MTS Policy No. 22, Rules of Procedure for MTS. He added that the second document, Draft Policies and Procedures, provides the guidelines for the revisions that were made to Policy No. 22. He reviewed elements of these documents including

the guidelines for compensation for meeting participation, differentiation from the Executive Committee, goals, and basic tasks.

Mr. Young requested that his comments on this topic from the April 12, 2007, Board meeting be entered into the record. His questions and comments follow:

Mr. Young asked if having the Executive Committee serve as an Audit Oversight Committee is acceptable under official accounting guidelines. He asked legal counsel to review the duties of the Executive Committee and then questioned why MTS would not have a separate committee for audit oversight purposes. He asked if giving the Executive Committee responsibility for audit oversight would increase accountability. Mr. Young asked the Board to consider whether the Executive Committee should be given responsibility for audit oversight.

Mr. Young stated that he did not believe that it was in MTS's best interests to have the Executive Committee serve as the Audit Oversight Committee and would therefore not support the recommended action to do so. Mr. Emery pointed out that, without Mr. Young's vote in favor, the Board would not have a quorum of votes to pass this item.

Mr. Ewin stated that, in view of the fact that there is an audit going forward and in the absence of an Audit Oversight Committee, any related matters should come before the Executive Committee in order to keep the process going. Chairman Mathis stated that this is understood and staff will comply.

Action Taken

Mr. Emery moved to continue this item to the Board's next item. Mr. Monroe seconded the motion, and the vote was 8 to 0 in favor. Mr. Ewin stated that he would like the record to reflect that he voted to continue this item with regrets.

31. MTS: Budget Transfers and Construction Contract Award for the MTS 9th and 10th Floor Improvement Project (CIP 11153)

This item was not discussed and no action was taken.

REPORT ITEMS

45. MTS: Legislative Update (LEG 410, PC 50121)

This item was deferred.

60. Chairman's Report

The Chairman made no report.

61. Chief Executive Officer's Report

APTA Bus & Paratransit Conference: Mr. Jablonski advised the Board that he recently attended this conference in Nashville with Chairman Mathis, Claire Spielberg, and Jim Byrne. He stated that there was an extensive bus display and some interesting sessions, including on customer service.

APTA Awards Committee: Mr. Jablonski also reported that he is a member of this committee and recently traveled to Chicago for a meeting to select award winners for next year.

May 1, 2007, Memo Regarding Shooting Incident: As requested at a previous Board meeting, staff provided an overview of a shooting incident that occurred April 2, 2007, and involved MTS contracted security officers. Mr. Jablonski pointed out that this information was also provided to the Board in a memo that was faxed to Board members. It was reaffirmed that this incident occurred off MTS property and involved contract employees who were off duty at the time. It was reported that both of the officers involved have since returned to work.

Legislative Update Agenda Item (No. 45): Mr. Jablonski advised the Board that Ms. Sharon Cooney, MTS Director of Government Affairs and Community Relations, was recently in Sacramento meeting with government officials regarding legislative activities that relate to funding for transit. He stated that she has been working very hard to maximize transit funding at the state level.

62. Board Member Communications

TDA Triennial Audit: Mr. Monroe stated that Booz Allen, the firm that completed the TDA Triennial Audit, recently gave a report at SANDAG regarding the results of that audit. He reported that he was very unhappy with the way the results were presented because they simply presented statistics, in particular with regard to cost, without reference to extraordinary events like the rise in fuel prices, etc. He added that MTS staff tried to make corrections to the report but were ignored. He stated that he saw questionable value in participating in this audit and added that he made the same comments three years earlier when the results of the previous audit were given. He stated that MTS should determine the value of the audit to the organization and work toward the selection of a different auditor for future audits.

63. Additional Public Comments on Items Not on the Agenda

Peter Warner: Mr. Warner pointed out that while expenses are going up as pointed out by the TDA auditors, ridership is also going up. He asked where the discussion of that fact is. He also asked how much ridership has increased as a result of the COA.

64. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, June 14, 2007, at 9:00 a.m. in the same location.

65. Adjournment

Chairman Mathis adjourned the meeting at 12:09 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

Attachment: A. Roll Call Sheet

[gail.williams/minutes](#)