

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

June 8, 2006

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

1. Roll Call

Chairman Mathis called the meeting to order at 9:04 a.m. A roll call sheet listing Board member attendance is attached. Chairman Mathis welcomed Gerard Selby, alternate for Tom Clabby. Mr. Clabby was unable to attend the meeting.

2. Approval of Minutes

Ms. Atkins moved to approve the minutes of the May 25, 2006, Board of Directors meeting. Mr. Ewin seconded the motion, and the vote was 9 to 0 in favor with Mr. Selby abstaining.

3. Public Comment

Craig R. McClellan: Mr. McClellan advised the Board that he has a business on State Street that is being disrupted because of the noise of buses idling in excess of MTS's three-minute policy. He also stated that these buses are polluting the air as they idle on State Street and that this is a waste of fuel and taxpayer money. He stated that people in his office are getting headaches and are coughing as a result of this problem. He requested that the Board ask management to sit down with him to discuss possible solutions. He stated that his attempts to get MTS staff do this have been unsuccessful. He added that many of these buses are unattended and he and his coworkers have, on occasion, shut off these buses. He stated that an MTS enforcement officer was sent to his office and threatened to cite him if he or his coworkers do this again. He added that MTS's General Counsel has hired outside counsel to file a lawsuit against him for turning off buses that are idling unattended.

Don Stillwell: Mr. Stillwell suggested that ridership could be improved in the Kaiser Hospital area if his suggestions as presented at previous meetings regarding Route Nos. 13 and 14 and the Grantville Trolley Station are implemented. He also suggested that signage be placed by the elevators at the Grantville Station to guide passengers to the correct track.

Tracy Sundlun, Elite Racing Rock N' Roll Marathon: Mr. Sundlun thanked the Chairman, the Board, and staff for working with them on this event. He stated that the new race course, designed with input from MTS, worked very well. He specifically recognized Ms. Toni Atkins, Mr. Ron Roberts, and Chairman Mathis.

NOTICED PUBLIC HEARINGS

25. MTS: FY 2007 Budget – Public Hearing and Adoption (FIN 310.1, PC 50601)
(Taken Out of Order)

Mr. Larry Marinesi, MTS Budget Manager, presented the proposed operating budget for FY 2007. He reviewed the budget process, highlights of the budget, the five-year forecast, and the proposed Performance Incentive Plan (PIP) for FY 2007. Mr. Marinesi reported that the proposed budget does not use any contingency reserves, only uses nonrecurring revenues of \$4.6 million (Congestion Mitigation and Air Quality [CMAQ] funding), and provides the Board with the option of shifting \$6.5 million to the FY 2008 Capital Improvement Program. He explained that CMAQ funding will be replaced in FY 2009 by TransNet II funding.

Chairman Mathis opened the Public Hearing at 9:28 a.m. There were no comments from the public. Chairman Mathis closed the Public Hearing at 9:29 a.m.

Mr. Monroe stated that, if the Board wants to have a Performance Incentive Plan, it should fund such a plan and include it as part of the budget -- that the program should not be dependent upon budgetary savings. He felt that making the program dependent upon budgetary savings encourages employees to make imprudent decisions in order to generate savings. He also stated that performance indicators should be part of the PIP. He added that many employees make decisions every day that have no impact on the budget but contribute to MTS's success. Mr. Roberts stated that he thought that part of the PIP included bonuses that could be awarded for meeting or exceeding performance indicators at the discretion of the CEO. He added that budgeting is not an exact science and are just a best estimate of revenues and expenses. He added that agencies have to make adjustments to their budgets throughout the year and felt that the proposed budget was both realistic and reasonable. He added that, besides the budget criteria, the CEO can award bonuses for specific performance criteria. He stated his support of the PIP as recommended and pointed out that the Board can analyze next year if the program met the purposes and goals that MTS is trying to achieve.

Mr. Jablonski pointed out that employees also receive recognition for their efforts through performance evaluation and merit increases. He stated that the budget goals outlined under the proposed PIP provide a mechanism to free up the dollars needed to fund the FY 2007 PIP. He added that the program is not totally financially driven and the award of bonuses will not be an arbitrary process. He stated that staff is currently developing individual departmental goals and objectives that are performance driven, and he will be reviewing the contribution of those goals towards the performance standards to which he is committed. He stated that there will be other areas that are less performance driven that may be more qualitative, and that will have to be factored into the equation. He stated that he would be very comfortable with sharing those goals and objectives with the Board. Mr. Ewin stated that the PIP should reflect the core values of the corporation, and that any decrease in expenses and increase in revenues should be the result of meeting performance goals, not by simple chance. He felt that administration of the program itself was the responsibility of the CEO. He stated that he simply wanted to understand the program and know that it is being fairly administered.

Mr. Jones agreed with the comments made by Mr. Monroe and added that he was concerned that issues other than strictly the achievement of goals might come into play during the process of determining bonus awards. He felt that the process was too subjective. Mr. Jablonski stated that departments are in the process of developing very specific goals regarding budget, cost efficiency, and with regard to performance indicators. He stated that he would be working with

each department director to assess the performance of the employees in that department. He stated that this approach will create an equitable distribution that is predominantly number driven and based on the performance of individual departments. He reiterated that a portion of the monies will be designated for recognizing extraordinary results achieved by individuals not necessarily responsible for meeting performance indicators. He added that he would come back to the Board with the specific goals and objectives identified by departments as the end of the fiscal year approaches. Mr. Jones stated that he would like to see that information at the beginning of the fiscal year. Mr. Jablonski stated that the goals and objectives are being established at the beginning of the fiscal year, but that there may be accomplishments that come up throughout the course of the year for which he may want to award a bonus. Mr. Jones stated that he could not support this program unless employees know what they are working toward and stated that he felt the program was too arbitrary. Mr. Jablonski stated that the proposed PIP as being presented to the Board was not the full program but just a methodology on how MTS funds the program. He stated that he will come back to the Board with the actual program and how the bonus awards will be distributed.

Mr. Roberts stated that the Board should not micromanage this process. He felt the Board should set policy direction and ask the CEO to carry it out. He stated that Mr. Jablonski would be developing a performance-driven program to determine if there should be bonuses and how they would be allocated. Mr. Emery agreed that the Board should provide policy direction and that the Board could later review the particulars. Mr. Monroe again stated that he preferred that the Board approve and fund the PIP, that it not be dependent on budgetary savings. He then recognized Mr. Jablonski for developing a budget that does not use contingency reserves and uses a substantially reduced amount of nonrecurring revenues. Mr. Jablonski stated that the proposed PIP is part of his effort to instill a private-sector mentality where, regardless of performance, the overriding priority is whether the company was profitable or not. Mr. Rindone spoke in favor of the proposed program and stated that the Board should always review and analyze recommended programs.

Mr. Jones stated that he didn't want to deny Mr. Jablonski the tools he needed to run the organization but that he could not support the proposed PIP the way it is being presented. He requested that the motion on this item be split.

In response to a question from Mr. Emery, staff responded that there will be no funding gap between the end of CMAQ funding and the beginning of TransNet II funding. Mr. Jablonski estimated that the funding amounts would be similar.

Action Taken

Mr. Roberts moved to (1) hold a public hearing, receive testimony, and review and comment on the fiscal year 2007 budget information (Attachment A of the agenda item) presented in this report; and (2) approve the Performance Incentive Program (Section 10.04 within Attachment A); and (3) adopt Resolution No. 06-6 (Attachment B of the agenda item) approving the operating and capital budget for MTS and the operating budgets for SDTC, SDTI, MTS Contract Services, Chula Vista Transit, National City Transit, and the Coronado Ferry. Mr. Emery seconded the motion, and the vote was 11 to 2 in favor of item (2), with Mr. Jones and Mr. Monroe casting the opposing votes, and 13 to 0 in favor of item (3).

CONSENT ITEMS

6. This number was not used

7. MTS: Increased Authorization for Legal Services (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to enter into a contract amendments (MTS Doc. No. G0719.10-02) with Julie Morris Soden of the law firm Grant and Soden for legal services, in substantially the same form as attached (Attachment A of the agenda item), and ratify prior amendments entered into under the CEO's and/or previous General Manager's authority(ies).

8. MTS: San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports and Ratify Actions Taken by the SD&AE Railway Company Board of Directors at its May 9, 2006, Meeting (SDAE 710.1, PC 50771)

Recommend that the Board of Directors (1) receive the San Diego and Imperial Valley Railroad, Pacific Southwest Railway Museum Association, and Carrizo Gorge Railway, Inc. quarterly reports (Attachment A of the agenda item); and (2) ratify actions taken by the SD&AE Railway Company Board of Directors at its meeting on May 9, 2006 (Attachment B of the agenda item).

9. MTS: Transit Service Contracts Carryover Amendments (OPS 920.5, PC 30201, 30203)

Recommend that the Board of Directors authorize the CEO to execute carryover amendments for: (1) commuter-express bus services operated by Coach USA, Inc., (in substantially the same form as attached – MTS Doc. No. B0340.5-02, Attachment A of the agenda item) for the period of October 1, 2006, through December 31, 2006, for an amount not to exceed \$539,000; and (2) East County fixed-route transit services operated by Laidlaw Transit Services, Inc., (in substantially the same form as attached – MTS Doc. No. B0337.1-02, Attachment B of the agenda item) for the period of October 1, 2006, through January 27, 2007, for an amount not to exceed \$3,808,000.

10. MTS: San Diego State University (SDSU) Station Radio System Enhancement (CIP 11158)

Recommend that the Board of Directors authorize the CEO to establish a new Capital Improvement Program No. 11158 (Mission Valley East/SDSU Radio System Enhancement) in an amount not to exceed \$157,802 and transfer funds into this new project from the Mission Valley East Project Reserve.

11. MTS: Final Audit – Accounts Receivable and Cash Receipts (LEG 492, PC 50121)

Recommend that the Board of Directors receive an audit report on MTS accounts receivable and cash receipts functions.

12. MTS: Final Audit – Passenger Services (LEG 492, PC 50121)

Recommend that the Board of Directors receive an audit report on MTS passenger services process.

Recommended Consent Items

Mr. Emery moved to approve Consent Agenda Items No. 7, 8, 9, 10, 11, and 12. Mr. McLean seconded the motion, and the vote was 13 to 0 in favor.

CLOSED SESSION:

24. Closed Session Items (ADM 122)

The Board convened to Closed Session at 10:08 a.m.

- a. MTS: Conference With Real Property Negotiators Pursuant to Government Code Section 54956.8
Property: Grossmont Center Trolley Station Parking Lot at the intersection of Grossmont Center Drive and Fletcher Parkway
Agency Negotiators: R. Martin Bohl, Paul Jablonski, Tim Allison, and Tiffany Lorenzen,
Negotiating Parties: Fairfield Residential, LLC, JP Morgan Chase Bank, and Mass Mutual
Under Negotiation: Instructions to Negotiators will Include Price and Terms of Payment
- b. MTS: Conference with Legal Counsel Pursuant to Subdivision (a) of California Government Code Section 54956.9: Stella Reed (Claim No. Unassigned)

The Board reconvened to Open Session at 10:50 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, MTS General Counsel, reported the following:

- a. The City of La Mesa representative was present for this item -- the City of La Mesa is not a party to this item. The Board received a report and gave direction to General Counsel.
- b. The City and County of San Diego representatives were not present for the discussion of this item. The Board received a report and gave direction to the General Counsel and the CEO.

DISCUSSION ITEMS

30. Independent Transit Planning Review (AG 230.1, PC 50451)

Mr. Dave Schumacher, SANDAG Principal Transportation Planner, provided the Board with an overview of the Independent Transit Planning Review (ITPR). He reviewed the purpose of the review and the process that was used. He reported that staff members from both MTS and North County Transit District were involved in the process. He reviewed the makeup of the expert panel that was assembled for this task and the issues that the ITPR studied. He also reviewed their recommendations. He reported that there was much discussion during the study of the balance between highways and transit, and the ITPR panel felt that the Regional Transit Plan was weighted too heavily toward highways. He stated that the panel also felt that the emphasis shouldn't be on transit throughout the entire region, but that transit should be concentrated in corridor or subareas within the region where there is the most potential for

ridership. The panel also suggested not using the term Bus Rapid Transit (BRT) until the service deserves the title and recommended reconsideration of the Mid Coast rail project. The panel felt that there needed to be more transit-supportive land uses between Old Town and University Towne Centre in order to support a light rail transit investment. He also reviewed individual panelist comments and stated that the panel felt more emphasis was needed on transit before the goals of the Regional Transit Plan and the Regional Comprehensive Plan could be reached. Mr. Schumacher stated that the ITPR has been presented to the SANDAG Transportation Committee and will be presented to the SANDAG Board on July 28, 2006. He stated that the SANDAG Board will be asked to accept the ITPR report for planning purposes. He added that SANDAG will work with MTS and North County Transit on evaluating the recommendations of the study.

Mr. Emery agreed with many of the findings of the study and observed that the study is very favorable to transit. He stated that MTS and North County Transit should use the results of this study when having discussions with SANDAG regarding planning and the allocation of funding. He stated that it was an excellent report. Mr. Monroe stated that this study sends a clear message to the region that it needs to commit to transit. He also stated his agreement with the study's assessment regarding the Mid Coast project. Mr. Mathis asked if transportation issues could act as an agent to promote changes in land use. Ms. Atkins also stated that it was a great report and added that effective action needs to take place to support the conclusions of the study. Ms. Atkins thanked Ms. Sharon Cooney, MTS Director of Government Affairs and Community Relations, for the bullet points she provided on the report prior to the Transportation Committee meeting at which this report was discussed.

Ms. Atkins asked if MTS Board comments would be shared with SANDAG. Chairman Mathis asked Board members to review the report and submit comments to the CEO. He stated that the comments will be used to formulate a recommendation that will be brought back to the Board.

Action Taken

Mr. Emery moved to receive this report for information. Mr. Monroe seconded the motion, and the vote was 12 to 0 in favor.

31. MTS: Update on the Status of the Grossmont Trolley Station Joint Development Project
(LEG 460, PC 50787)

Ms. Lorenzen provided the Board with an update on the Grossmont Trolley Station Joint Development Project. She stated that the Disposition and Development Agreement (DDA) and Ground Lease should be ready for Board approval at the next Board meeting. She briefly reviewed the various sections of the Ground Lease that have been finalized. She stated that, by doing this, it would be possible for the Board to essentially approve the document without having a full report. She reported the following:

Attachment C: Ground Lease

Section 105: Describes the leasehold estate. Still in the process of being finalized.

Sections 106, 312: Preservation of 600 parking spaces. In the event the developer delivers less than 600 (obligated to provide no less than 591), MTS would be compensated at \$180 per space per year.

Section 202: Term of lease: 55-year base term with one 20-year option, and one 24-year option for a total of 99 years.

Section 303: Rent: \$85,333 when the ground lease is executed and escrow is closed, approximately \$170,000 in year two, and \$256,000 in years 3 through 30 plus 1.25 percent of gross rent. In year 30, an appraisal will be done to determine fair market value. MTS will then receive 8 percent of fair market value or 6.5 percent of gross rent, whichever is less. In year 55, another appraisal will be done and MTS will then receive 8 percent of fair market value or 8 percent of gross proceeds, whichever is less; and in year 75, MTS will receive 8 percent of fair market value or 10 percent of gross proceeds, whichever is less.

Section 318: Failure to Pay Rent: Obligates Fairfield to pay a five percent penalty if they don't pay their rent on time.

Section 402: Obligates Fairfield to maintain a minimum of 238 parking spaces during construction.

Section 402: Relocates buses to Amaya Station at Fairfield's cost plus obligates Fairfield to repair any damage that is done as a result of this change. Ms. Lorenzen reported that there is currently no bus traffic flowing through this station.

Section 411: Obligates Fairfield to pull building permits for buildings 4, 5, and 6 within one year of the date indicated in their construction schedule or they will pay \$100,000, and to pull permits for buildings 1, 2, and 3 within two years of the date indicated in their construction schedule or pay \$200,000.

Estoppel Certificate: In the event of default by Fairfield, lender may choose not to construct the entire project but obligates them to complete the west and east garages, landscaping, etc. (does not include the buildings). Lender will have the ability to decide whether they want to complete construction in full based on the ground lease or continue to pay rent and wait for a maximum of ten years before they commence to complete construction.

Section 705: Fairfield will be maintaining trolley parking facilities. MTS to reimburse for costs via rent offset.

Section 803: Windfall provision negotiated with developer specifying if there is any money on top of what they are incurring to complete the cost of construction plus \$2 million return on their investment, that would be split 20 percent to MTS and 80 percent to Fairfield.

Section 1208: Two types of default have been negotiated. 45 days for nonpayment of rent and 30-day mediation for nonmonetary defaults.

Ms. Lorenzen added that, included in the agenda item as Attachment A, are two checklists. She stated that A-1 is a list of all the documents showing the parties involved in the transaction and indicating if that document has been sent out or if it has been fully executed and signed. She stated that A-2 is a list of all the documents necessary to complete the public improvements that SANDAG is doing on MTS's behalf. She stated that she will continue to submit these lists to the Board. She added that Fairfield just started this morning work on Amaya Station.

Action Taken

Mr. Rindone moved to receive an update from General Counsel regarding the status of the Grossmont Trolley Station Joint Development Project. Mr. Selby seconded the motion, and the vote was 11 to 0 in favor. Recommendation No. 2, as outlined in the agenda item, was continued to the June 22, 2006, Board meeting.

REPORT ITEMS

45. SDTI: Green Line Revised Operating Plan (OPS 970.2)

Mr. Peter Tereschuck, SDTI President-General Manager, reviewed the revised operating plan for Mission Valley East. He stated that the operating plan has been refined to respond to requests for added late-night service that were made through the Green Line customer survey and to tailor service levels to ridership patterns and demand. He added that the refined operating plan provides for some costs savings, and provides the San Diego & Imperial Valley Railroad with improved late-night operating efficiencies. Mr. Tereschuck then reviewed the details of the adjustments that are being made. He stated that staff will monitor the effectiveness of the adjustments through the fall semester and will make further adjustments if needed.

In response to a comment by Mr. Monroe about overcrowding, Mr. Tereschuck stated that special-event service is provided by the Red Line. He stated that SDTI puts out as much service as it can based on the equipment and staff that are available. Mr. Emery asked if full trains could pass through stations without stopping to pick up additional passengers. Mr. Tereschuck stated that there may be passengers on the trains who are intending to get off at those stations. Mr. Emery requested that staff continue to look at ways to alleviate this problem.

Public Comment

Don Stillwell: Mr. Stillwell stated that the agenda item (page 2, item 1) refers to "the existing ten-minute Green Line through service." He stated that should be 15 minutes. He added that the Blue Line can also be overcrowded during the school year. He expressed his support of the added late-night service. He added that there is lots of parking at the Grantville Trolley Station, and the overcrowded situation could be alleviated by following his recommendations regarding Route No. 14 because bus service could be used for the entire trip.

Action Taken

Mr. Emery moved to receive this report for information. Mr. Ewin seconded the motion, and the vote was 9 to 0 in favor.

60. Chairman's Report

There was no Chairman's Report.

61. Chief Executive Officer's Report

APTA Rail Conference in New York: Mr. Jablonski reported that he will be out of the office on Monday, Tuesday, and Wednesday (June 12, 13, and 14) to attend this conference. Chairman Mathis reported that he would also be out for this conference. He added that he will not be

back in time for the June 15 Executive Committee; therefore, Mr. Rindone will chair that meeting.

62. Board Member Communications

North Island Bus Stop: Mr. Monroe reported on discussions that the City of Coronado and MTS have had with the United States Navy regarding the movement of the bus stop from Third Street to Fourth Street. He stated that, when this change was made, the Navy did not meet MTS and Coronado requirements. He felt that the most recent meeting that was held with the Navy was successful.

Awards – La Mesa: Mr. Ewin reported that the City of La Mesa, at its city council meeting on Tuesday, June 13, 2006, will be honoring a San Diego Trolley employee who kept a rape suspect locked on the trolley until authorities could apprehend him. He also reported that the Urban Land Institute will be making an award for the planning of the Grossmont Trolley Station Joint Development Project.

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, June 22, 2006, at 9:00 a.m. in the same location.

65. Adjournment

Chairman Mathis adjourned the meeting at 11:50 a.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