

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

August 10, 2006

MTS  
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

1. Roll Call

Chairman Harry Mathis called the meeting to order at 9:10 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Ms. Atkins moved to approve the minutes of the July 13, 2006, Board of Directors meeting. Mr. McLean seconded the motion, and the vote was 10 to 0 in favor.

3. Public Comment

*R. Mitchel Beauchamp:* Mr. Beauchamp handed out an Operation Lifesaver pin and a flyer introducing Operation Lifesaver. He explained how he became involved with this organization and suggested that MTS develop a module of issues for light rail related to Operation Life Saver. He then stated that San Diego is a pioneer in the designation of quiet zones and requested that safety be given paramount consideration during discussions of how to implement quiet zones.

*John Groeling:* Mr. Groeling stated that EB Property has been trying to do business with San Diego and Imperial Valley Railroad (SD&IV), and SD&IV has been stonewalling these attempts. He stated that they are not meeting provision 2h of Rail America's operating agreement. He stated that the business relationship EB is proposing would result in greater net revenues for the San Diego & Arizona Eastern Railway Company (SD&AE) and reduced congestion at Otay. He also stated that there would be a 40 percent increase in rail activity compared to the existing decrease in rail activity of 5 to 22 percent, as reported year to date. He stated that the SDIV Board is not conducting itself in a manner that meets MTS objectives and displays a lack of concern for public interests.

*Mr. Brian Martins, Principal and Public Agent, EB Property:* Mr. Martins provided the Board with a handout regarding matters introduced by the previous speaker. He acknowledged that Mr. Paul Jablonski, MTS Chief Executive Officer (CEO), had been kind enough to give this matter attention during the SD&IV meeting. He also stated that the proposals he had received from SD&IV were unacceptable, and SD&IV was failing to meet its obligations. He stated that EB is a private entity trying to benefit the public and the community, and if they are unable to get through negotiations, it will have a detrimental effect on society as a whole.

Mr. Jablonski stated that this matter was presented to the SD&AE Board at its last meeting and that he had exchanged correspondence and e-mails with Mr. Martins on this subject. He reported that EB Property has an option on a piece of land adjacent to the San Ysidro tracks, and they are proposing to create a transload facility so trains from Mexico could come across the border to load freight on trucks for shipment. He stated that this is really a commercial issue between any potential customers and Rail America, which has the trackage rights and freight responsibilities. Mr. Jablonski stated that there are many issues that he has concerns about related to this proposal. He stated that San Ysidro is already a very congested area. He added that he is considering having this issue included as part of the freight study that SANDAG is currently doing. He advised the Board that he has prepared a letter to Mr. Martins, which was being mailed out today, and that Board members should call him if they have any questions. He added that, if needed, this issue can be brought back to the Board.

*Donna Erickson:* Ms. Erickson distributed a handout detailing her concerns regarding the Osler Loop, the accuracy of ridership figures for Route 25 as used during the Comprehensive Operation Analysis (COA) process, the cost in future years of Transit Television Network, the approval of the FY 2007 Performance Incentive Plan, and the dismembering of Route No. 25. She stated that the Board is not paying attention to public comments.

Chairman Mathis stated that MTS believes that a lot more people will be able to use MTS routes more effectively and efficiently as a result of the COA. He added that the changes have to be implemented and the results monitored to see if they are working as anticipated. He stated that, if they are not, adjustments will be made.

*Clive Richard:* Mr. Richard offered to speak under Agenda Item 63.

*Jonathan Johnson:* Mr. Johnson stated that he just found out about the changes proposed for Route No. 11. He also stated that a trolley inspector, after verifying his fare media, asked him where he was going. Mr. Johnson felt it was inappropriate for the inspector to ask this question.

Mr. Conan Cheung, Director of Planning and Performance Monitoring, provided detail on the extensive outreach that was conducted during the planning phase of the COA and which will continue as the service changes are made. He stated that last-minute adjustments were made to the plan based upon comments that were gathering from the public during the planning process. He added that staff will present performance information on the service changes that were implemented in June to the Board at its September 14, 2006, meeting. He added that preliminary information on the September 3 service changes will also be presented at that time.

## CONSENT ITEMS

6. MTS: Proposed 2006/2007 Internal Audit Plan Summary (LEG 492, PC 50121)

Recommend that the Board of Directors approve the Proposed 2006/2007 Internal Audit Plan Summary (Attachment A of the agenda item).

7. MTS: SDTI Transportation Department Performance Measurement Audit (LEG 492, PC 50121)

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

8. MTS: SDTC Transportation Department Performance Measurement Audit (LEG 492, PC 50121)

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

9. SDTC & SDTI: Ratification of Statement of Information (OPS 960, POS 970)

Recommend that the Board of Directors ratify the CEO's filing of the Statement of Information for SDTC and SDTI.

10. MTS: Federal Transit Administration Funding and Funding Agreements (FIN 340.1, PC 50601)

Recommend that the Board of Directors approve Resolution No. 06-11 authorizing the CEO to submit applications for Federal Transit Administration funding and to execute funding agreements.

11. MTS: San Ysidro Transit Center Closed-Circuit Television (CCTV) Video Surveillance System Contract Award (OPS 970.6, CIP 11170)

Recommend that the Board of Directors authorize the CEO to execute a Standard Services Agreement (Attachment A of the agenda item) with Electro Specialty Systems, Inc. for furnishing, installing, commissioning, and providing one year of warranty support for a CCTV video surveillance system at the San Ysidro Transit Center for a total cost not to exceed \$294,479.46.

12. MTS: U. S. Department of Homeland Security Funding/Project Changes (OPS 970.8, PC 30102)

Recommend that the Board of Directors approve (1) a reduction in the U.S. Department of Homeland Security (DHS) funding levels previously approved within the fiscal year 2007 Capital Improvement Program (CIP) by \$25,140 as detailed within Attachment A of the agenda item; and (2) shifting DHS-funded projects as detailed within Attachment A.

Recommended Consent Items

Mr. Emery moved to approve Consent Agenda Items No. 6, 7, 8, 9, 10, 11 and 12. Ms. Atkins seconded the motion, and the vote was 12 to 0 in favor.

CLOSED SESSION:

24. Closed Session Items (ADM 122)

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

- a. MTS: Conference with Legal Counsel – Anticipated Litigation, Significant Exposure to Litigation Pursuant to Subdivision (b) of California Government Code Section 54956.9 (One Potential Case)
- b. MTS: Conference with Real Property Negotiators Pursuant to Government Code Section 54956.8  
Property: 522 West 8<sup>th</sup> Street, National City, California

Agency Negotiators: Tiffany Lorenzen, Paul Jablonski, Sharon Cooney, and Tim Allison  
Negotiating Parties: City of National City  
Under Negotiation: Price and Terms of Payment

- c. SDTC: Conference with Labor Negotiators, Pursuant to California Government Code Section 54957.6. Agency-Designated Representative – Jeff Stumbo. Employee Organization – Amalgamated Transit Union Local 1309
- d. MTS: Conference with Legal Counsel – Existing Litigation. Pursuant to Subdivision (a) of California Government Code Section 54956.9 (Stella Reed) (Claim No. Unassigned)

The Board reconvened to Open Session at 11:06 a.m.

Oral Report of Final Actions Taken in Closed Session

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

- a. The Board received a report and gave direction to General Counsel.
- b. The Board received a report and gave direction to agency negotiators.
- c. The Board received a report and gave direction to agency-designated representatives.
- d. The Board received a report and gave direction to General Counsel and outside counsel.

NOTICED PUBLIC HEARINGS

- 25. There were no Noticed Public Hearings

DISCUSSION ITEMS

- 30. MTS: Proposed Plan for Use of State Infrastructure Bond Initiative Funding (FIN 340.2, PC 50111)

This agenda item was trailed.

- 31. MTS: Federal Railroad Administration Horn Rule – Quiet Zones (AG 210.3, PC 50111)

Mr. Wayne Terry, SDTI Vice President of Operations, provided the Committee with an overview of activities currently underway to qualify 13 railroad crossings for quiet zone status. He provided background on current horn rules as mandated by the Federal Railroad Administration (FRA) and issues of concern to the community and the railroads. He also reported that, if quiet zones are approved for these crossings, continuous sounding of gate bells may be required and SDTI's nearside gate hold-off feature may be voided. Mr. Terry then provided detail on the changes to infrastructure that would have to be made and equipment that would have to be installed at these crossings to meet safety regulations associated with quiet zones. He reported that the capital costs for these changes will be considerable and added that operations and maintenance costs could total \$10,000 to \$20,000 annually. He then displayed a map showing the proposed quiet zone locations. Mr. Terry informed the Committee that staff intends to proceed with this project as detailed in the recommendation in the agenda item.

Mr. Faulconer stated that, when this item is voted on, he would be abstaining because of the involvement of the City of San Diego in this project. He stated that he is very strongly in favor of this project and stated that MTS staff has been very helpful thus far. He stated that horn rules are now being more strictly enforced and, because of the frequency of the crossings in the downtown area, there is an almost continuous blowing of train horns. He stated that this is particularly disturbing to downtown residents in the middle of the night and has become a quality of life issue. Mr. Faulconer stated that he appreciated the cooperation demonstrated by MTS staff and thanked Mr. Jablonski for attending the community forum he organized to discuss this matter. Mr. Monroe recognized Mr. Faulconer for his leadership on this issue and pointed out that this is also an important issue for the downtown hotels and the tourist industry. Mr. Jablonski hoped that MTS and the Centre City Development Corporation would reach an agreement on quiet zones by the end of the month. He stated that this agreement would then be presented to the Board for approval at its September 14, 2006, meeting.

Chairman Mathis pointed out that, without the votes of City of San Diego representatives, the Board would not have the quorum needed to vote on this item; therefore, the item was handled as an information item.

Action Taken

This report was handled as an information item, and no action was taken.

32. MTS: Capital Improvement Budget Transfers (CIP 10958, 11057, 11002, 10972, 11149, 11099)

Mr. John Haggerty, SANDAG Design Engineer, reviewed the recommended capital project budget transfers and the specifics of each project. He reported that these types of budget transfers will now be brought to the MTS Board prior to being approved by the SANDAG Board. Mr. Haggerty pointed out that the queue jumper at First & Ash will give buses a seven-second jump on other traffic. In response to a question from Mr. Monroe, Mr. Haggerty explained that high-traffic areas in the bus parking lots will be concrete, and the remainder of the parking lot will be asphalt with a stronger undersection. In response to a question from Mr. Clabby, Mr. Haggerty reported that a flat roof has an average life of 15 to 20 years. He added that there will be a 20-year warranty on the new roof.

Action Taken

Mr. Monroe moved to forward a request to the SANDAG Board of Directors to approve the transfer of funds in various Capital Improvement Programs shown on Attachment A of the agenda item (Budget Transfer Summary). Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

33. SDTC: Retirement Plans Actuarial Valuation as of January 1, 2006 (OPS 960.5, PC 50601)

Mr. Cliff Telfer, MTS Interim Chief Financial Officer, advised the Board that the SDTC retirement plan's actuarial valuation as of January 1, 2006, recommends that the Board adopt a pension contribution rate of 12.469 percent compared to the FY 07 budget assumption of 13 percent. He then introduced the Plan's actuary, Mr. Bob McCrory, of EFI Actuaries. Mr. McCrory reviewed the history of the Plan's costs and reviewed the increases and decreases in the Plan's

costs from January 1, 2005 to January 1, 2006. He also reviewed the history of the Plan's funding and explained what funding ratio means. He advised Board members that funding ratios will increase and decrease over the years. In response to a question from Mr. Monroe, Mr. McCrory stated that the Board should become concerned about the funding ratio at such time that it starts materially damaging MTS. Mr. McCrory then showed the Plan's funding ratio and cost compared with other transit districts with similar size plans and similar actuarial assumptions. He also presented information on future costs. Mr. McCrory stated that the Plan's funding ratio and costs are reasonable and comparable to other plans nationwide. He stated that there is some upward pressure on costs because older people are being hired.

In response to a question from Mr. Young, Mr. McCrory stated that he uses an entry-age normal actuarial method, which is used by 75 percent of public sector plans. He stated that this is a fairly conservative actuarial method. In response to a question from Ms. Atkins, Mr. Telfer stated that there are a number of different bonds with varying maturities that were included in the pension obligation bond transaction. In response to a question from Mr. Young, Mr. Telfer explained that Mr. McCrory is consulted during contract negotiations to project the cost of proposals being considered. Mr. Telfer also advised Mr. Young that the Plan always strives to have a funding ratio greater than 100 percent.

Mr. McCrory defined for Ms. Atkins his earlier reference to "materially damaging." He stated that if MTS had to make serious service cuts and have layoffs in order to make its pension contribution, then it would be materially damaging to MTS. He stated that the Plan's benefits are relatively predictable and are reasonable. Staff and Mr. McCrory answered additional questions about information included in the report including the amount of the unfunded liability, annual contribution amounts, the method for paying the contribution amount, etc. Mr. Telfer advised Mr. Young that the pension obligation bonds are paying approximately five percent.

Ms. Atkins stated that it was good for the Board to get regular reports on pension-related items because it helps the Board gain a better understanding of these matters.

#### Action Taken

Mr. Young moved to receive the actuarial valuation as of January 1, 2006, and adopt the pension contribution rate of 12.469 percent for the FY 06 SDTC pension plan. Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

## REPORT ITEMS

### 45. MTS: Operations Budget Status Report for May 2006 (FIN 310, PC 50601)

There was no presentation or discussion of this item.

#### Action Taken

Mr. Young moved to receive the MTS operations Budget Status Report for May 2006. Mr. Emery seconded the motion, and the vote was 10 to 0 in favor.

46. SDTC: RV Kuhns Second Quarter 2006 Pension Review (FIN 300, PC 50601)

Mr. Bruno Grimaldi, RV Kuhn, provided the Board with an overview of the pension investment performance analysis for SDTC's Employee Retirement Plans as of June 30, 2006. He reviewed asset allocation by asset class and manager and then reviewed the comparative one-year performance indicators for each of the investment managers against their benchmarks. Mr. Grimaldi reported, in response to questions from Mr. Young, that SDTC's pension plan currently ranks in the middle (52<sup>nd</sup> percentile) compared to other public sector plans, and that an asset allocation study is currently underway as part of an effort to try to improve that standing. He added that over the ten-year period, SDTC's plan is in the 38<sup>th</sup> to 42<sup>nd</sup> percentile. In response to a question from Mr. Jablonski, Mr. Grimaldi reported that PIMCO and JP Morgan are both being watched. He stated that PIMCO did well compared to its benchmark, but aggregate bonds are currently out of favor in the market.

Action Taken

Ms. Atkins moved to receive this report for information. Mr. Young seconded the motion, and the vote was 8 to 0 in favor.

47. MTS: June 2006 Monthly Performance Indicators (OPS 920.1, 960,5 970.5, PC 50451)

There was no presentation or discussion of this item.

Action Taken

Mr. Young moved to receive this report. Mr. Emery seconded the motion, and the vote was 10 to 0 in favor.

60. Chairman's Report

Chairman Mathis read a letter to the Board from a winner of an MTS and Coca-Cola scholarship. This letter was placed at each Board member's place prior to the start of the meeting.

61. Chief Executive Officer's Report

Mr. Jablonski pointed out that an invitation to the Sprinter Vehicle Unveiling was at each Board member's place.

62. Board Member Communications

There were no Board Member communications.

63. Additional Public Comments on Items Not on the Agenda

*Clive Richard:* Mr. Richard stated that he wanted to compliment staff and that, in the interest of time, he would send an e-mail that could be passed on to the Board.

*Don Stillwell:* Mr. Stillwell distributed copies of a petition requesting that the Crawford Street bus stop not be changed to a bus terminal for Route No. 13, and that the terminal be retained at Grantville Trolley Station. The petition also requests that the Route No. 14 still serve the Grantville Trolley Station.

*Peter Warner:* Mr. Warner suggested that all Amtrak trains stop at Old Town, which would provide better service for its customers and provide a much better Sea World connection.

64. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, September 14, 2006, at 9:00 a.m. in the same location.

65. Adjournment

Chairman Mathis adjourned the meeting at 12:15 p.m.

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Chairperson  
San Diego Metropolitan Transit System  
Filed by:

Approved as to form:

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

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Office of the General Counsel  
San Diego Metropolitan Transit System

Attachment: A. Roll Call Sheet

gail.williams/minutes