1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490

Agenda

JOINT MEETING OF THE EXECUTIVE COMMITTEE
for the
Metropolitan Transit System
San Diego Transit Corporation, and
San Diego Trolley, Inc.

September 18, 2008

Executive Conference Room
9:00 a.m.

ACTION
RECOMMENDED

A. ROLL CALL

B. APPROVAL OF MINUTES - August 14, 2008 (9/4/08 meeting was cancelled) — Approve

C. COMMITTEE DISCUSSION ITEMS

1. MTS: GASB 45 Actual Valuation of Postemployment Welfare Benefits — Receive
   Action would receive a report for information.

2. MTS: CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code section 54956.8 — Possible Action
   Property: Assessor Parcel Nos. 461-320-7, 12, 20, 21, and 29, San Diego, California
   Agency Negotiators: Tiffany Lorenzen, MTS General Counsel, Tim Allison, Manager Real Estate Assets
   Negotiating Parties: Potential Qualified Developers
   Under Negotiation: Price and Terms of Payment

Please turn off cell phones and pagers
during the meeting

Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company.

MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

D. RECOMMENDED FOR BOARD CONSENT AGENDA

1. SDTI: SD 100 Light Rail Vehicle Repairs Sole-Source Contract Award — Approve

   Action would forward a recommendation to the Board of Directors to: (1) find that there is only a single source of procurement for repairs to Siemens Transportation Systems, Inc. (Siemens) SD 100 Light Rail Vehicle (LRV) No. 2052; (2) find that Siemens is the sole-source provider for the structural repair service for San Diego Trolley, Inc. (SDTI) LRV No. 2052; and (3) under the provisions of MTS Board Policy No. 52 (4E), authorize the CEO to award a sole-source, fixed-price contract to Siemens Transportation Systems, Inc. to repair SDTI LRV No. 2052. This action requires a two-thirds vote of all members of the Board of Directors.

   Budget Impact - The estimated cost is between $400,000.00 and $750,000.00 for the completed repair, which would be encumbered under the LRV Maintenance line item of the FY 09 operating budget. This line item would be replenished from the insurance reimbursement funds less the $25,000.00 deductible. The total impact is therefore estimated to be $25,000.00.

E REVIEW OF DRAFT SEPTEMBER 25, 2008, JOINT BOARD AGENDA

F. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA — Possible Action

Review of SANDAG Transportation Committee Agenda and discussion regarding any items pertaining to MTS, San Diego Transit Corporation, or San Diego Trolley, Inc. Relevant excerpts will be provided during the meeting.

G. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

H. PUBLIC COMMENTS

I. NEXT MEETING DATE: October 2, 2008

J. ADJOURNMENT

DRAFT

EXECUTIVE COMMITTEE MEETING FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
SAN DIEGO TRANSIT CORPORATION (SDTC),
AND SAN DIEGO TROLLEY, INC. (SDTI)

August 14, 2008

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

Chairman Mathis called the meeting to order at 9:03 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Monroe moved approval of the minutes of the July 10, 2008, Executive Committee meeting. Mr. Emery seconded the motion, and the vote was 4 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. MTS: Chargers Express Service (OPS 970)

Mr. Paul Jablonski, MTS CEO, provided an overview of recent changes in the Federal Transit Administration's (FTA) charter regulations and recent discussions regarding how those changes will affect MTS's Chargers service. Mr. Jablonski reported that North County Transit has discontinued its service to Chargers games as a result of these new regulations. He stated that the new regulations change the FTA approach from providing an overriding rule to implementing an interactive process. He stated that agencies must now post this kind of service in order to provide private charters an opportunity to provide it. He added that the FTA should be taking a policy-setting approach, not an operational approach to its charter regulations.

Mr. Jablonski explained that he didn't feel that MTS's Chargers service is in conflict with the new regulations. He stated that no third party (Chargers) is paying for the service, MTS is charging a fare that is consistent with its existing fare structure for similar types of services, there is a single destination, and the service is available to the general public. He stated that it was decided to ask the FTA for an Advisory Opinion on this service because the sanction for not complying could be the loss of FTA funding, in MTS's case $50 million. Mr. Jablonski stated that the first opinion given by the FTA stated that MTS was in compliance with the new regulations, and the second opinion said it was not. He reported that FTA staff decided, after discussions with MTS staff, that the new charter regulations would apply to the three longer routes as a result of a distance-based analysis but not the two shorter routes. He added that after discussions with the FTA Administrator, James Simpson, MTS was authorized to operate the three longer routes in question until November 1, 2008. Mr. Jablonski reported that, even though temporary permission has been granted, the FTA suggested that MTS go through the required "posting" process for those three routes. Mr. Jablonski stated that charter regulations should not be based on mileage but should instead be based on the type of service relating to the fare.

Mr. Jablonski reported that only 2 of the 108 private operators that received MTS's posting for its Chargers service responded. He added that the charter operator wants to charge $850 per bus and seemed to think that MTS would be paying for the service. Mr. Jablonski stated that the FTA charter regulations do not require that MTS subsidize this type of service in any way. He added that he didn't feel that the operator would be interested in providing this service when they are advised that no one is subsidizing it and that they have to get authorization to use Park and Ride locations. Chairman Mathis pointed out that the charter company only has to express an interest in providing the service – they don't have to necessarily provide it. Mr. Jablonski stated that the only recourse MTS has if the charter company fails to provide the service is to file a complaint after the fact. He added that MTS would continue to work with the FTA to resolve this issue.

In response to a question from Mr. Roberts, Mr. Jablonski explained that MTS basically breaks even on providing Chargers service. He also advised Mr. Roberts that this is an administrative, not a legislative matter. Ms. Tiffany Lorenzen, MTS General Counsel, reported that transit service to Baltimore Ravens, Seattle Seahawks, and Washington Redskins games is also being affected by the new regulations, and the National Football League is involved in similar discussions with the FTA.

Mr. Monroe requested that he be provided with correspondence and e-mails between MTS staff and the FTA. He added that, even if MTS does not break even in providing Chargers service, it provides an opportunity to promote transit to choice riders. Mr. Jablonski pointed out that 2,700 passengers used this particular service last year, and it does provide an opportunity from a marketing standpoint to attract choice riders.

In response to a question from Mr. Roberts, Mr. Jablonski reported that it costs MTS $450 per bus to provide this service. There was also a question about whether MTS should be providing transit service to private events. Mr. Roberts stated that when there are major community events, sponsored by private companies or not, MTS should be making it easier for people to get to those events. Mr. Ewin stated that MTS should do everything it can to break even, especially given recent budget problems and the fact that MTS has cut service and raised fares. Mr. Jablonski stated that is exactly why MTS is charging $10.00 rather than one of its lower fares. Chairman Mathis stated that, because of the variability of factors involved in providing this service, including ridership levels, MTS may not always breaks even but does most of the time. He added that MTS is still serving the taxpayers by providing these types of service. He added that MTS may be using new articulated buses for some of this service, which will increase the potential passenger load to 60 people per bus. Mr. Jablonski pointed out that MTS is limited to a $10 round-trip fare by its own fare structure. Ms. Lorenzen pointed out that North County Transit could not continue its Chargers service because they were charging a $12 fare and have no other $12 fares.

In response to a question from Mr. Monroe, SDTC Director of Transportation Jim Byrne reported that the MTS subsidy per passenger for regular service is $2.00. In response to a comment by Mr. Rindone, Mr. Jablonski stated that MTS participated in a recent press conference with Congressman Filner with the intent of making the public aware that MTS does not want to discontinue this service but may be forced to because of new government regulations.

In response to a question from Chairman Mathis, Mr. Jablonski stated that MTS, if required to post its Chargers service, will have to post once per season, not for each game.

Mr. Monroe stated that he was very appreciative of staff's efforts to resolve this issue and that staff had done a very good job. In response to his question, Mr. Jablonski explained that APTA is not really involved in helping resolve this issue. He added that APTA was even reluctant to influence the development of these regulations when input was requested by the FTA. He added that charter operators put together a group that made a powerful argument to the FTA and therefore effected how the regulations were written.

Action Taken

Mr. Rindone moved to receive an update on Chargers Express Service and discussions with the Federal Transit Administration. Mr. Emery seconded the motion, and the vote was 6 to 0 in favor

2. MTS: Increased Ridership Impacts (SRTP 830)

Ms. Sharon Cooney, Director of Government Affairs and Community Relations, provided the Committee with an overview of ridership trends for FY 2008 and pointed out that these increases are being experienced in spite of a budget-related decrease in revenue miles operated by MTS and the implementation of a fare increase. She also briefly discussed efforts MTS is making to deal with overcrowding issues that have arisen on some routes.

In response to a question from Chairman Mathis, Ms. Cooney stated that monthly pass use appears to have increased in all categories of passes. Mr. Jablonski suggested that staff look into how much Senior & Disabled pass sales have increased compared to other pass types. In response to a question from Mr. Roberts, Mr. Jablonski stated that the average fare per passenger has gone from 82 cents to 89 cents, and pass use has increased from 64 percent to 68 percent of all riders. Ms. Cooney reported that for January through June 2008, the fare per passenger has been closer to 92 cents. Mr. Jablonski reported that farebox recovery rate has also improved, and it was also reported that subsidy per passenger has decreased. Mr. Jablonski added that expenses have been kept below inflation. Mr. Monroe pointed out that MTS is operating fewer revenue miles as a result of the Comprehensive Operational Analysis, which made the system more efficient and effective. Mr. Jablonski added that recent increases in fuel prices have contributed to the increase in ridership levels. Mr. Monroe felt that the effect of National City Transit service changes should be reflected differently in the ridership numbers. Mr. Jablonski added that the data-gathering process being used for MTS's contract operator is being improved.

Action Taken

Mr. Rindone moved to receive a report on increased ridership. Mr. Roberts seconded the motion, and the vote was 6 to 0 in favor.

3. MTS: Interstate 805 Buses on Shoulders Service (BOSS) Demonstration Project – Status Update (AG 230.11)

Mr. Samuel Johnson, SANDAG Chief Technology Officer, introduced SANDAG Project Manager Eric Adams, Caltrans I-805 Corridor Director Joel Haven, and SANDAG Senior Transportation Planner Jennifer Williamson. He provided a project overview for the Interstate 805 Bus on Shoulder Service three-year demonstration project and described and showed visuals of the concept. He stated that buses would be using the shoulder lanes initially, but that commercial vehicles and tolling could be introduced later in the project. Mr. Johnson stated that Route No. 960 has been operating on the shoulder as a test. Ms. Williamson stated that there have been no accidents, on-time performance is 95 to 97 percent, and there has been an increase in ridership (4 percent). She stated that passengers and bus operators were surveyed at the beginning of the test and the initial apprehensions they expressed have abated. She stated that the operator and passengers see the benefits of and are now comfortable with the service.

In response to a question from Mr. Rindone, Ms. Williamson reported that stalled vehicles on the shoulder do negatively affect on-time performance. She stated that efforts continue to ensure that those delays are minimized. She added that operators can see up to a mile ahead if there is a car broken down or if there are enforcement activities occurring in the shoulder because this route operates on fairly flat, straight roadway. Mr. Johnson stated that there are various advance-warning technologies that can be considered during the contract process. He added that there are various sensors and reflective tapes that can be used to maintain bus distance from the road-side edge of the shoulder also.

Mr. Adams reviewed the corridor that is part of this project reporting that the route will travel from Chula Vista to Sorrento Valley/University Towne Center. He added that it parallels a portion of the Bus Rapid Transit route that is planned in that area. He showed how lanes would be downsized by taking one foot each away from other lanes to provide the extra space needed on the shoulders for this project. Mr. Adams then reviewed infrastructure challenges that would have to be addressed and reviewed elements of the operating plan, which is being developed in conjunction with MTS staff. He also reviewed the alignment and benefits as well as the budget and schedule for the project. In response to a question from Mr. Monroe, Mr. Adams reported that the BOSS route would be 20 miles long.

Mr. Adams reported that there is federal funding allocated for up to ten buses for this project, and that funding is also allocated for infrastructure, operations, maintenance, and staff time for developing the operating plan.

Public Comment

Clive Richard: Mr. Richard stated that he was initially opposed to this concept because it didn't seem safe. He stated that the recent test has proven that not to be the case.

In response to a question from Mr. Rindone, Ms. Williamson stated that SANDAG's model projects ridership of over 600 to 700 riders per day on the BOSS route. She stated that there will be a marketing program to encourage that ridership. Mr. Rindone suggested that MTS consider realigning some of its service in Chula Vista to feed into the south-end terminus for this route to encourage the development of ridership. In response to a question from Mr. Rindone, Mr. Adams said that no decision has been made regarding the name for this service.

In response to a question from Mr. Monroe, Ms. Cooney reported that Will Kempton, California Secretary of Transportation, was with MTS and SANDAG in Washington, D. C. when the request for this and other funding was presented to the U.S. Department of Transportation. In response to a question from Chairman Mathis, Mr. Haven reported that there are no other 11-foot-wide lanes that are 20 miles long but there are 11-foot lanes for shorter distances in San Diego. Mr. Adams clarified that buses will only use the shoulders during peak periods and can only go 15 miles per hour faster than the flow of traffic with a limit of 40 miles per hour.

Mr. Monroe asked how MTS would be impacted once the funding for the initial phases of the project is gone. Ms. Williamson stated that, if this project is a success, SANDAG could shift operating funding from TransNet II for beyond the initial two-year period. Mr. Monroe stated that he was concerned that the funding for this project might be taken away from potential funding for other things for MTS. He also stated that SANDAG has not previously gotten involved in making operational types of decisions that are usually in the purview of MTS and didn't feel comfortable about it. He stated that SANDAG is basically deciding what service MTS will be providing. Mr. Haven stated that this is a policy issue that will be taken back to staff and subsequently reported to the SANDAG Transportation Committee/Board. Chairman Mathis stressed that Mr. Monroe's concern needs to be addressed. Mr. Jablonski stated that, since MTS already has service in the I-805 corridor, the funding demarcations between old and new funding will be clouded.

In response to a question from Mr. Emery, Ms. Williams clarified that either San Diego Transit or MTS's contract operator would provide this service.

Action Taken

Mr. Rindone moved to receive an update on the San Diego Association of Government's Interstate 805 Buses on Shoulders Service Demonstration Project. Mr. Emery seconded the motion, and the vote was 6 to 0 in favor.

4. MTS: Pension Obligation Bonds Update (OPS 960.6)

Mr. Cliff Telfer, MTS Chief Financial Officer, provided the Committee with an update on the steps already taken to address turbulence in the bond market. He reported that UBS has been replaced by E. J. De La Rosa and Company, MTS has adopted a swap policy, and MTS has purchased its own bonds. He stated that the Letter of Credit is still in the process of being developed. Mr. Keith Curry, Public Financial Management, reported that MTS is now in an excellent position to staunch its cost of funding and make up its interest losses. He stated that documents to effectuate the financing should be in place by the middle of next week, and the entire transaction should be completed by the middle of September. Mr. Curry reported that short-term ratings are needed from S&P and Moody's. Mr. Curry confirmed for Mr. Jablonski that the interest rate should be below three percent. Mr. Jablonski advised the Committee that the swap agreement is in effect through 2012 but could be terminated by UBS in 2010.

Action Taken

Mr. Rindone moved to receive an update regarding Pension Obligation Bonds. Mr. Roberts seconded the motion, and the vote was 6 to 0 in favor.

D. RECOMMENDED BY THE EXECUTIVE COMMITTEE FOR THE BOARD CONSENT AGENDA

1. SDTI: Train to Wayside Communication Equipment – Contract Award (CIP 11218-0200)

That the Board of Directors authorize the CEO to execute a sole-source contract (in substantially the same form as Attachment A of the agenda item) with VECOM USA to replace existing train to wayside communication equipment with an up-to-date model.

2. MTS: El Cajon Transit Center Demolition MOU and Budget Transfer (CIP 11217)

That the Board of Directors (1) authorize the CEO to execute a Memorandum of Understanding (in substantially the same form as Attachment A of the agenda item) with the San Diego Association of Governments (SANDAG) for the El Cajon Transit Center building demolition work to be done under the SANDAG/San Diego County Job Order Contracting Agreement and for providing construction management services; and (2) approve a fund transfer from the MTS Blue and Orange Line station Improvement Project CIP 11217 to SANDAG's El Cajon Transit Center Demolition Projection CIP 1129550 (in substantially the form as shown on Attachment B – Budget Transfer Summary).

Action Taken

Mr. Ewin moved to approve placing Agenda Items D1 and D2 on the Consent portion of the August 21, 2008, Board agenda. Mr. Rindone seconded the motion, and the vote was 6 to 0 in favor.

E. REVIEW OF DRAFT AUGUST 21, 2008, BOARD AGENDA

Recommended Consent Item

6. MTS: San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Report and Ratification of Actions Taken by the SD&AE Railway Company Board of Directors at its July 15, 2008 Meeting (SD&AE 710)

   Recommend that the Board of Directors (1) receive the San Diego and Imperial Valley (SD&IV), 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 July 15, 2008.

7. MTS: Agreement for Operation of Passenger Excursion Services and for Custody and Control of a Portion of San Diego & Arizona (SD&AE) Railway Company Right-of-Way as Between SD&AE and the Pacific Southwest Railway Museum (PSRM) (SDAE 710)

   Recommend that the Board of Directors authorize Paul Jablonski, SD&AE Railway Company President, to execute the Second Amendment to the Agreement for Operation of Passenger Excursion Services and for Custody and Control of a Portion of the SD&AE Railway Company Right-of-Way (Attachment A of the agenda item) as between SD&AE and the Pacific Southwest Railway Museum.

8. MTS: Job Access and Reverse Commute Grant (AG 220.13)

   Recommend that the Board of Directors approve Resolution No. 08-17 (Attachment A of the agenda item) authorizing the CEO to submit applications for federal fiscal years 2007-2009 Job Access and Reverse Commute for Non-Urban (Rural) areas – Federal Transit Administration funding 5316.

9. MTS: September 2008 Minor Service Changes (SRTP 830)

   Recommend that the Board of Directors receive a report on service changes scheduled for September 2008 implementation.

10. MTS: Investment Report – June 2008 (FIN 300)

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

Recommended Consent Items

There was no discussion of the recommended Consent item.

Recommended Board Discussion Items

There was no discussion of recommended Discussion Items.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

There was nothing to report on this item.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

Peter Tereschuck Retirement: Mr. Ewin stated that he liked the newspaper article in the San Diego Union-Tribune regarding Mr. Tereschuck's retirement.

APTA Board Members Seminar: Mr. Emery reported that he recently attended this seminar. He stated that most of the workshops he attended discussed the global warming issue.

Mr. Rindone reported that he also attended this seminar. He stated that one of the best sessions he had ever attended dealt with how board members can maintain focus on the mission of the organization.

Assembly Bill 32: Mr. Roberts reported that the California Air Resources Board will be hosting an implementation workshop regarding this legislation in city chambers on Friday, August 15. He invited Committee members and MTS staff to attend. Paul reported that someone from MTS would be at this meeting.

Airport Regional Planning: Mr. Rindone reported that he recently participated in a Saturday workshop for the airport regional planning group. He stated that consideration is being given to creating a transportation connection on Pacific Highway. Mr. Jablonski reported that MTS has formed an internal technical team to help with this project.

Bayshore Bikeway: Mr. Monroe reported that this project may affect the 28th and 32nd Street trolley stop. He stated that he alerted Paul when he discovered that no one at MTS had been notified. Mr. Jablonski reported that MTS staff members have now met with individuals in control of this project. He said it is a very expensive project and may never get built.

G. PUBLIC COMMENTS

There were no public comments.

H. NEXT MEETING DATE:

The next meeting is scheduled for Thursday, September 4, 2008, in the Executive Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 10:52 a.m.

____

Chairman

Attachment: A. Roll Call Sheet
gail.williams/minutes

EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) 8/14/08   CALL TO ORDER (TIME) 9:03 a.m.

RECESS ____________   RECONVENE ____________

CLOSED SESSION ____________   RECONVENE ____________

ADJOURN 10:52 a.m.

BOARD MEMBER		(Alternate)		PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	☐	(Young)	☐		☑
EMERY	☑	(Cafagna)	☐		
EWIN	☑	(Clabby)	☐	9:04 a.m. during AI C1	
MATHIS	☑				
MONROE	☑	(McLean)	☐		
RINDONE	☑	(Emery)	☐	9:04 a.m. during AI C1	
ROBERTS	☑	(Cox)	☐		

SIGNED BY OFFICE OF THE CLERK OF THE BOARD Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: ____________

Gail.Williams/Roll Call Sheets

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

Item No. C1

FIN 370

JOINT MEETING OF THE EXECUTIVE COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

September 18, 2008

SUBJECT:

MTS: GASB 45 ACTUARIAL VALUATION OF POSTEMPLOYMENT WELFARE BENEFITS

RECOMMENDATION:

Receive a report for information.

Budget Impact

None with this action.

DISCUSSION:

Attachment A is an actuarial valuation of postretirement welfare benefits prepared by Rael & Letson, Consultants and Actuaries, in compliance with the new requirements adopted by the Governmental Accounting Standards Board (GASB) in its Statement Nos. 43 and 45. Mr. Jim Whelpley of Rael & Letson will offer a presentation to explain the provisions of Statement Nos. 43 and 45; the new liabilities and related disclosures that are now required in the financial statements for FY 2008 and all subsequent years; his methods and assumptions for determining MTS's liability; and the funding options that are available to the agency. Neither GASB Statement No. 43 or No. 45 requires funding of the agency's liability for postretirement welfare benefits.

The budget impact during the coming two years could range from $0 to $3,000,000 depending on several variables, including the structure of MTS health and welfare plans and Board decisions about funding the liability.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Linda Musengo, 619.557.4531, linda.musengo@sdmts.com

SEPT18-08.C1.GASB45 ACTUARIAL VALUATION.LMUSENGO.doc

Attachment: A. Investment Report **(Executive Committee only due to volume)**

Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company.

MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

RAEL & LETSON
CONSULTANTS AND ACTUARIES

ACTUARIAL VALUATION OF POSTRETIREMENT WELFARE BENEFITS UNDER GASB 43/45

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

AS OF JUNE 30, 2007

AUGUST 2008

ACTUARIAL VALUATION OF POSTRETIREMENT WELFARE BENEFITS UNDER GASB 43/45

August 6, 2008

Ms. Linda Musengo
Finance Manager
Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, California 92101-7490

Re: GASB 43/45 Actuarial Valuation of Postretirement Welfare Benefits as of June 30, 2007

Dear Ms. Musengo:

We are pleased to present the above captioned report. This report presents the disclosure items needed by the San Diego Metropolitan Transit System ("the Agency") for compliance with GASB 45 for fiscal year 2007/2008. It is based on active participant and eligible retiree data provided by the Agency and its administrators, and on the methods and assumptions detailed in Section II.

Please let us know if you need any further information regarding our findings.

Very truly yours,

RAEL & LETSON

By: ______________________ Jim Whelpley, A.S.A., M.A.A.A. ______________________ Jean C. Vergara, A.S.A., M.A.A.A.

cc: Gary Caporicci

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TABLE OF CONTENTS *(CONTINUED)*

ACTUARIAL VALUATION OF POSTRETIREMENT WELFARE BENEFITS UNDER GASB 43/45

INTRODUCTION AND ACTUARIAL CERTIFICATION

We have been retained by the San Diego Metropolitan Transit System ("the Agency") to conduct an actuarial valuation of the Agency's postretirement welfare benefit assets, liability, annual cost, and accrual status. Our report follows the requirements adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 43 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The required disclosure items are formatted as follows:

- **Section I** discusses the calculation of GASB 43/45 disclosure items and presents such items for the 2007/2008 financial statements in *Exhibit 1A*. This exhibit provides the Actuarial Accrued Liability and Funded Status as of June 30, 2007, the Annual Required Contribution (ARC) and Annual OPEB Cost for 2007/2008, and an estimated reconciliation of Net OPEB Obligation for 2007/2008.

  A graph providing a thirty-year comparison of ARC and cashflow is in *Exhibit 1B*, with further cashflow detail presented as graphs in *Exhibit 1C* and tables in *Exhibit 1D*. Thirty-year projections of liability and assets are then shown as graphs in *Exhibit 1E* and tables in *Exhibit 1F*.

- **Section II** shows the demographic, economic, per-capita cost, and other assumptions used in the calculation of the postretirement welfare benefit liability.

- **Section III** summarizes the participant data used in the valuation.

- **Section IV** presents a summary of the principal provisions of the Plan valued.

- **Section V** contains answers to questions usually asked by auditors.

INTRODUCTION AND ACTUARIAL CERTIFICATION *(CONTINUED)*

Actuarial computations under GASB 43/45 are for purposes of fulfilling certain accounting requirements for public sector postretirement welfare benefit plans and their sponsoring employers. The calculations reported have been made on a basis consistent with our understanding of GASB 43/45. Determinations for purposes other than meeting the financial accounting requirements of GASB 43/45 may differ significantly from the results presented in this report.

The calculation of an accounting liability and annual cost does not, in and of itself, imply that there is any legal liability to provide the benefits valued. Nor is there any implication that the sponsor is required to implement a funding policy to satisfy the projected expense.

We, Jim Whelpley and Jean C. Vergara, are Consulting Actuaries for Rael & Letson. We are Associates of the Society of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45. In addition, we have employed assumptions and methods that are consistent with those specified in the CalPERS OPEB Assumption Model and mandated for any valuation used to determine contributions to the California Employers' Retiree Benefit Trust.

Jim Whelpley, A.S.A., M.A.A.A.

Jean C. Vergara, A.S.A., M.A.A.A.

SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION

Exhibit 1A on pages 6-11 provides all the numbers needed for disclosure in the financial statement of the Plan (per GASB 43) and that of the sponsor (per GASB 45). Exhibit 1A(i) provides the numbers produced by employing a 4.50% discount rate. If the Agency were to irrevocably dedicate monies to fund retiree benefits, it would be allowed to apply a higher discount rate when valuing its liabilities. Specifically, a 7.75% discount could be used if the Agency were to adopt a policy of funding 100% of the Annual Required Contribution with the California Employees' Retiree Benefit Trust (as described in item 7 of Section V). Exhibit 1A(ii) therefore provides the alternative numbers produced by employing a 7.75% discount rate. Components of the exhibit are as follows:

- **Part A** shows the counts for census data captured as of December 31, 2007 and used to determine the liability as of June 30, 2007. Note that "other fully eligible" participants are those active employees who have the minimum age and years of service needed to retire with the highest level of benefits as of the valuation date. Please see the tables and footnotes of Section III and item 1 of Section V for more detail on these counts.
- **Part B** is the total present value of benefits, including both accrued and not-yet-accrued portions. If the Agency was extremely generous and wanted to ensure the benefit security of even its newest hires, it could informally allocate $69.6 million of Agency assets towards retiree health benefits (or formally deposit $36.7 million into an irrevocable trust) and all current actives and retirees (but not future new hires) would most likely be taken care of.
- The accrued portion of the above is known as the Actuarial Accrued Liability (AAL), and is shown in **Part C** as **$50.2 million** (or $29.4 million using the alternative 7.75% discount rate). As described in the footnote on page 6, we used the "Entry Age Normal" cost method for this valuation. This is the same method employed for the CalPERS pension valuations and is the GASB-allowed method most often employed by public entities that fund benefits as a percent of payroll.

SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION *(CONTINUED)*

- **Part D** expresses the Plan's Funded Status as a ratio of assets to liability and as a ratio of unfunded liability to payroll. These will be used by the auditor to construct a historical "Schedule of Funding Progress" for the Plan's financial statement notes (per GASB 43).

- The "Annual Required Contribution" (ARC) in **Part E** has little practical value unless the Agency wishes to use it as a guide to make contributions to a dedicated trust fund (in which case the numbers in Exhibit 1A(ii) would be more applicable). The ARC will be used by the auditor to construct a historical "Schedule of Employer Contributions" for the Plan's financial statement notes (per GASB 43).

  Part E also shows how amounts are added and subtracted from the ARC to yield the Annual OPEB Cost, which the auditor will use to reconcile the Net OPEB Obligation in the Agency's financial statement notes (per GASB 45).

- **Part F** provides the reconciliation of Net OPEB Obligation (NOO) over the prior year (which doesn't apply in this first year of compliance) and an estimated reconciliation for the current year. That estimate cannot be finalized until the actual plan year 2007/2008 benefit payments and contributions are known. As mentioned above, the auditor will show the NOO reconciliation in the Agency's financial statement notes (per GASB 45).

Exhibit 1B on page 12 shows a thirty-year projection of Agency outlays under the current pay-as-you-go funding, and compares them to outlays with a full ARC prefunding policy. Annual pay-as-you-go amounts begin at $0.8 million, catch up to the 7.75% ARC at $3.0 million in 2019/2020, reach the 4.50% ARC at $4.0 million in 2023/2024, then start to level off at $6.0 million by 2036/2037. Note that this reflects activity only for current retiree and active participants, not for anyone hired after the valuation date (per GASB requirements).

SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION *(CONTINUED)*

Exhibit 1C on pages 13-14 has two graphs of the first forty years of projected cashflow that underlie our liability calculations. The first graph shows that "gross" annual retiree welfare payments (i.e., benefits prior to offset by retiree contributions) are projected to rise from $1.8 to $7.5 million over the next 30 years, then decline towards zero as the last participants retire and die. The second graph reveals that "net" annual payments (i.e., Agency subsidies) rise over the same period from $0.8 to $6.0 million, which can be expressed as a rise in the Agency's share of gross benefits from 45% to 80%. This large increase in Agency share is mostly due to the effect of AB 2544 on MTS/Trolley benefits (the red layer of the cashflow graphs). For more detail on AB 2544 please see item 6 of Section V.

Exhibit 1D on pages 15-16 contains tables detailing cashflow activity for the first ten years and then every fifth year until 2046/2047. Within the first ten years there is little effect from future new hires, but (as explained in the first footnote on these pages) we still strongly advise caution when attempting to use this for the Agency's short-term financial planning.

Exhibits 1E and 1F on pages 17-20 are the graphical and tabular thirty-year projection of AAL (reflecting no new hires after the valuation date) and of the assets that would build up if the Agency were to adopt one of two funding policies:

(i) In this scenario the retiree welfare assets remain in a subaccount of the Agency general fund, so that applicable liabilities are those calculated at a 4.50% discount. We have referred to these informally allocated assets as "virtual" assets because they would not be recognized in the official calculation of ARC. However, we can calculate a "virtual ARC" using virtual assets in place of GASB 43/45 irrevocable dedicated assets, and we have used that virtual ARC here as the annual contribution amount.

(ii) Here the Agency contributes 100% of the GASB 43/45 ARC to the California Employees' Retiree Benefit Trust, so that applicable liabilities are those calculated at a 7.75% discount. Note that this is just one way in which the Agency could set a timetable for elimination of its unfunded postretirement welfare liability.

SECTION I VALUATION RESULTS

EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS BASED ON 4.50% DISCOUNT RATE

	MTS / TROLLEY	TRANSIT MNGMT	TRANSIT UNION	ALL GROUPS
A. **Participant Count** as of June 30, 2007 [1]				
• Current retirees and surviving spouses	24	53	141	218
• Other participants fully eligible for benefits	123	4	164	291
• Other participants not yet fully eligible for benefits	448	75	487	1,010
Total Count	595	132	792	1,519
B. **Actuarial Present Value of Benefits** (APVB) at June 30, 2007				
• Current retirees, spouses and dependents	$ 2,734,800	$ 10,778,200	$ 4,458,800	$ 17,971,800
• Other participants fully eligible for benefits	9,413,800	503,000	1,928,600	11,845,400
• Other participants not yet fully eligible for benefits	28,312,200	7,187,800	4,313,900	39,813,900
Total APVB	$ 40,460,800	$ 18,469,000	$ 10,701,300	$ 69,631,100
C. **Actuarial Accrued Liability** (AAL) at June 30, 2007				
• Current retirees, spouses and dependents	$ 2,734,800	$ 10,778,200	$ 4,458,800	$ 17,971,800
• Other participants fully eligible for benefits	7,654,100	501,200	1,779,800	9,935,100
• Other participants not yet fully eligible for benefits	13,301,300	6,069,400	2,885,200	22,255,900
Total AAL [2]	$ 23,690,200	$ 17,348,800	$ 9,123,800	$ 50,162,800

1 Results for this June 30, 2007 valuation were projected from a census captured as of December 31, 2007.

2 AAL is the portion of APVB that is attributed to actives' service to date by the chosen actuarial cost method. GASB 43/45 allows for seven cost methods, including Projected Unit Credit (as required for corporate and multiemployer retiree welfare calculations) and Entry Age Normal (as commonly used for governmental pension calculations). For this valuation we have used the Entry Age Normal method, which spreads costs from hire to the expected retirement age. Note that the APVB and AAL shown above have been offset by projected retiree contributions. The gross AAL before such offset is $73,403,600, of which 68% is due to Plan payments and 32% is due to retiree contributions. Also note that had we increased our assumed health care trend rates by one percent, the total AAL would have increased from $50,162,800 to $61,230,200.

SECTION I VALUATION RESULTS

EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS BASED ON 4.50% DISCOUNT RATE *(CONTINUED)*

	MTS / TROLLEY	TRANSIT MNGMT	TRANSIT UNION	ALL GROUPS
D. **Funded Status** at June 30, 2007				
Actuarial Value of Assets	$ 0	$ 0	$ 0	$ 0
Unfunded Actuarial Accrued Liability (UAAL)	$ 23,690,200	$ 17,348,800	$ 9,123,800	$ 50,162,800
Funded Ratio	0%	0%	0%	0%
Covered Payroll [1]	$ 27,321,800	$ 4,846,700	$ 31,088,600	$ 63,257,100
UAAL as a Percentage of Covered Payroll	87%	358%	29%	79%
E. **Annual Required Contribution** (ARC) and **Annual OPEB Cost** (AOC) for 2007/2008 [2]				
Normal Cost for 2007/2008	$ 2,102,600	$ 220,500	$ 237,000	$ 2,560,100
Amortization of UAAL as of June 30, 2007 [3]	955,900	700,100	368,200	2,024,200
Total ARC for 2007/2008	$ 3,058,500	$ 920,600	$ 605,200	$ 4,584,300
Interest on June 30, 2007 Net OPEB Obligation	0	0	0	0
(Amortization of June 30, 2007 NOO) [3]	0	0	0	0
Total AOC for 2007/2008	$ 3,058,500	$ 920,600	$ 605,200	$ 4,584,300

1 Covered payroll is as of June 30, 2007.

2 Despite the name, there is no requirement to actually contribute the ARC or any other amount. Future plan financial statement notes must simply show a "Schedule of Employer Contributions" with the ARC and the percentage of it that was actually contributed (if any). The ARC calculated above is noted as being applicable to the year following the current valuation date, but if a new valuation is not performed next year then this same ARC may be considered applicable to each of the next two years. In this manner, the Schedule of Employer Contributions can show a continuous annual history of ARC and actual contribution amounts.

3 GASB 43/45 allows for an amortization method of either level dollar (as for a mortgage) or level percent of pay, period of up to 30 years (but no less than 10 years if the AAL decreases due to a new cost or asset value method), and basis of either rolling (no annual reduction in period) or static. The amortization used here is level percent of pay over a rolling 30 years.

SECTION I VALUATION RESULTS

EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS BASED ON 4.50% DISCOUNT RATE *(CONTINUED)*

	MTS / TROLLEY	TRANSIT MNGMT	TRANSIT UNION	ALL GROUPS
F. **Net OPEB Obligation** (NOO) Actual Reconciliation over 2006/2007 [1] and *Estimated* Reconciliation over 2007/2008				
NOO at June 30, 2006	N/A	N/A	N/A	N/A
(Benefit Payments paid outside of a trust in 2006/2007)	N/A	N/A	N/A	N/A
(Contributions to a trust in 2006/2007)	N/A	N/A	N/A	N/A
Annual OPEB Cost (AOC) for 2006/2007	N/A	N/A	N/A	N/A
NOO at June 30, 2007	$ 0	$ 0	$ 0	$ 0
(*Estimated* Benefit Payments paid outside of a trust in 2007/2008)	(82,900)	(439,500)	(303,800)	(826,200)
(*Estimated* Contributions to a trust in 2007/2008)	0	0	0	0
Annual OPEB Cost (AOC) for 2007/2008	3,058,500	920,600	605,200	4,584,300
Estimated NOO at June 30, 2008	$ 2,975,600	$ 481,100	$ 301,400	$ 3,758,100

[1] NOO is generally the cumulative excess of prior ARC over benefit payments (if unfunded) or trust contributions (if funded). In practice, before the ARC is added to the NOO each year it is adjusted to become the Annual OPEB Cost (AOC) by adding NOO interest and subtracting an NOO amortization. For this exhibit we have assumed that GASB 43/45 will be adopted for 2007/2008, so that NOO on the current valuation date is zero.

SECTION I VALUATION RESULTS

EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS BASED ON 7.75% DISCOUNT RATE

	MTS / TROLLEY	TRANSIT MNGMT	TRANSIT UNION	ALL GROUPS
A. **Participant Count** as of June 30, 2007 [1]				
• Current retirees and surviving spouses	24	53	141	218
• Other participants fully eligible for benefits	123	4	164	291
• Other participants not yet fully eligible for benefits	448	75	487	1,010
Total Count	595	132	792	1,519
B. **Actuarial Present Value of Benefits** (APVB) at June 30, 2007				
• Current retirees, spouses and dependents	$ 1,786,600	$ 7,187,400	$ 3,363,200	$ 12,337,200
• Other participants fully eligible for benefits	5,240,700	309,500	1,277,300	6,827,500
• Other participants not yet fully eligible for benefits	11,734,600	3,766,800	2,038,800	17,540,200
Total APVB	$ 18,761,900	$ 11,263,700	$ 6,679,300	$ 36,704,900
C. **Actuarial Accrued Liability** (AAL) at June 30, 2007				
• Current retirees, spouses and dependents	$ 1,786,600	$ 7,187,400	$ 3,363,200	$ 12,337,200
• Other participants fully eligible for benefits	4,499,500	309,000	1,206,200	6,014,700
• Other participants not yet fully eligible for benefits	6,232,100	3,327,200	1,512,200	11,071,500
Total AAL [2]	$ 12,518,200	$ 10,823,600	$ 6,081,600	$ 29,423,400

1 Results for this June 30, 2007 valuation were projected from a census captured as of December 31, 2007.

2 AAL is the portion of APVB that is attributed to actives' service to date by the chosen actuarial cost method. GASB 43/45 allows for seven cost methods, including Projected Unit Credit (as required for corporate and multiemployer retiree welfare calculations) and Entry Age Normal (as commonly used for governmental pension calculations). For this valuation we have used the Entry Age Normal method, which spreads costs from hire to the expected retirement age. Note that the APVB and AAL shown above have been offset by projected retiree contributions. The gross AAL before such offset is $45,509,700, of which 65% is due to Plan payments and 35% is due to retiree contributions. Also note that had we increased our assumed health care trend rates by one percent, the total AAL would have increased from $29,423,400 to $34,480,400.

SECTION I VALUATION RESULTS

EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS BASED ON 7.75% DISCOUNT RATE *(CONTINUED)*

	MTS / TROLLEY	TRANSIT MNGMT	TRANSIT UNION	ALL GROUPS
D. **Funded Status** at June 30, 2007				
Actuarial Value of Assets	$ 0	$ 0	$ 0	$ 0
Unfunded Actuarial Accrued Liability (UAAL)	$ 12,518,200	$ 10,823,600	$ 6,081,600	$ 29,423,400
Funded Ratio	0%	0%	0%	0%
Covered Payroll [1]	$ 27,321,800	$ 4,846,700	$ 31,088,600	$ 63,257,100
UAAL as a Percentage of Covered Payroll	46%	223%	20%	47%
E. **Annual Required Contribution** (ARC) and **Annual OPEB Cost** (AOC) for 2007/2008 [2]				
Normal Cost for 2007/2008	$ 980,900	$ 103,500	$ 113,700	$ 1,198,100
Amortization of UAAL as of June 30, 2007 [3]	751,700	650,000	365,200	1,766,900
Total ARC for 2007/2008	$ 1,732,600	$ 753,500	$ 478,900	$ 2,965,000
Interest on June 30, 2007 Net OPEB Obligation	0	0	0	0
(Amortization of June 30, 2007 NOO) [3]	0	0	0	0
Total AOC for 2007/2008	$ 1,732,600	$ 753,500	$ 478,900	$ 2,965,000

1 Covered payroll is as of June 30, 2007.

2 Despite the name, there is no requirement to actually contribute the ARC or any other amount. Future plan financial statement notes must simply show a "Schedule of Employer Contributions" with the ARC and the percentage of it that was actually contributed (if any). The ARC calculated above is noted as being applicable to the year following the current valuation date, but if a new valuation is not performed next year then this same ARC may be considered applicable to each of the next two years. In this manner, the Schedule of Employer Contributions can show a continuous annual history of ARC and actual contribution amounts.

3 GASB 43/45 allows for an amortization method of either level dollar (as for a mortgage) or level percent of pay, period of up to 30 years (but no less than 10 years if the AAL decreases due to a new cost or asset value method), and basis of either rolling (no annual reduction in period) or static. The amortization used here is level percent of pay over a rolling 30 years.

SECTION I VALUATION RESULTS

EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS BASED ON 7.75% DISCOUNT RATE *(CONTINUED)*

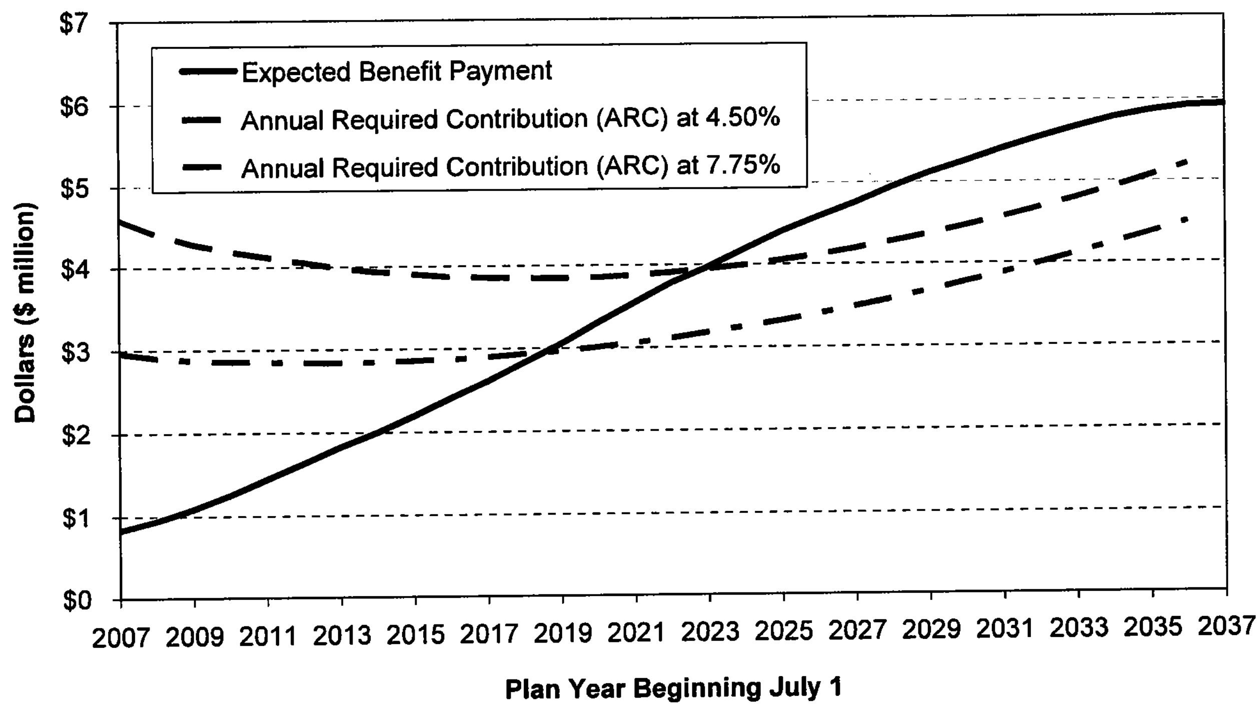
	MTS / TROLLEY	TRANSIT MNGMT	TRANSIT UNION	ALL GROUPS
F. **Net OPEB Obligation** (NOO) Actual Reconciliation over 2006/2007 [1] and *Estimated* Reconciliation over 2007/2008				
NOO at June 30, 2006	N/A	N/A	N/A	N/A
(Benefit Payments paid outside of a trust in 2006/2007)	N/A	N/A	N/A	N/A
(Contributions to a trust in 2006/2007)	N/A	N/A	N/A	N/A
Annual OPEB Cost (AOC) for 2006/2007	N/A	N/A	N/A	N/A
NOO at June 30, 2007	$ 0	$ 0	$ 0	$ 0
(*Estimated* Benefit Payments paid outside of a trust in 2007/2008)	0	0	0	0
(*Estimated* Contributions to a trust in 2007/2008)	(1,732,600)	(753,500)	(478,900)	(2,965,000)
Annual OPEB Cost (AOC) for 2007/2008	1,732,600	753,500	478,900	2,965,000
Estimated NOO at June 30, 2008	$ 0	$ 0	$ 0	$ 0

[1] NOO is generally the cumulative excess of prior ARC over benefit payments (if unfunded) or trust contributions (if funded). In practice, before the ARC is added to the NOO each year it is adjusted to become the Annual OPEB Cost (AOC) by adding NOO interest and subtracting an NOO amortization. For this exhibit we have assumed that GASB 43/45 will be adopted for 2007/2008, so that NOO on the current valuation date is zero.

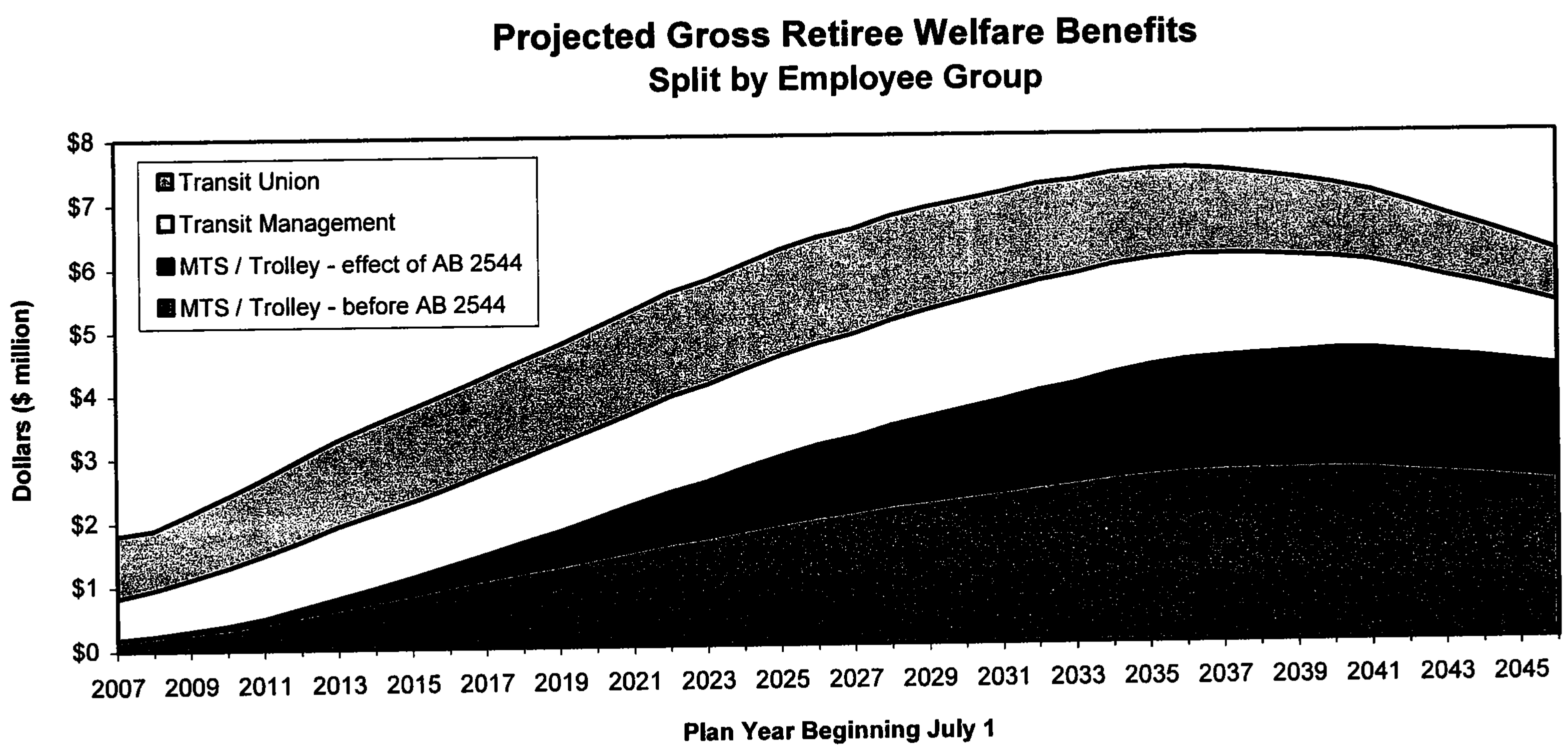
SECTION I VALUATION RESULTS

EXHIBIT 1B: PREFUNDING COMPARISON GRAPH

Pay-As-You-Go Versus Prefunding with GASB45 ARC



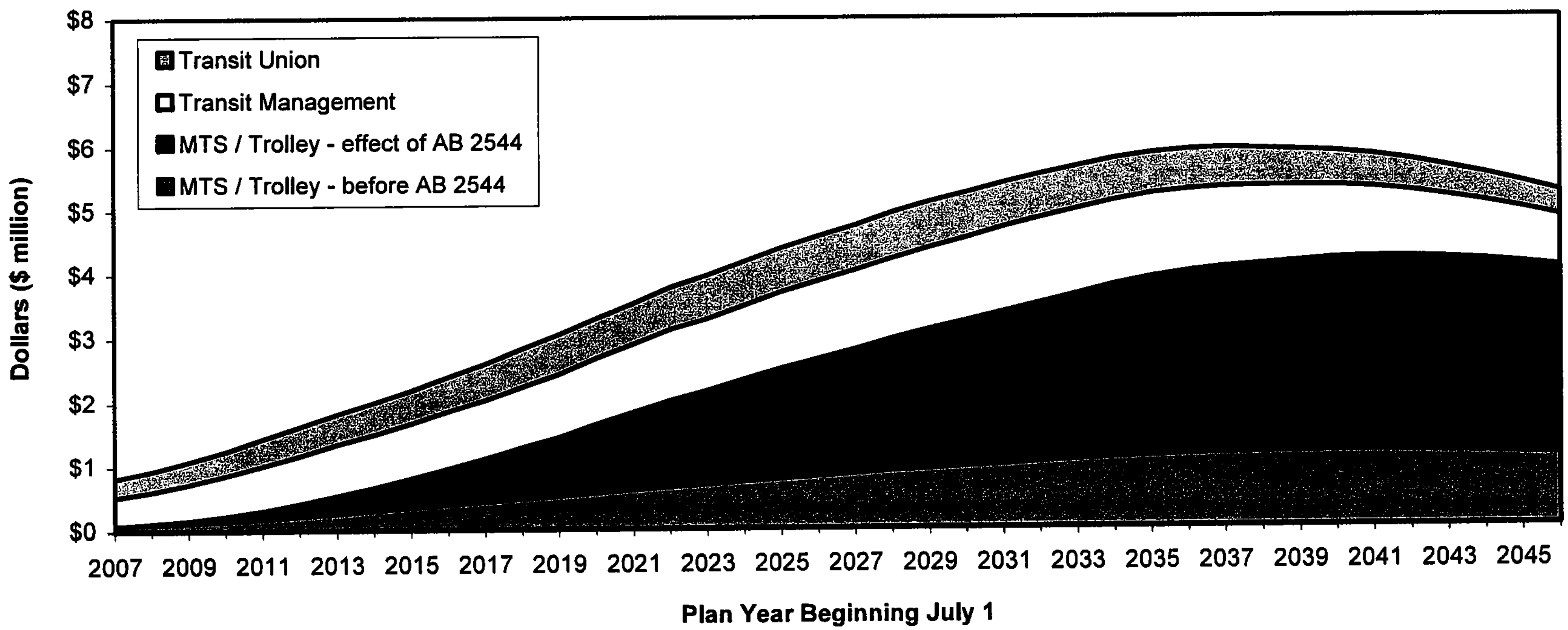
SECTION I VALUATION RESULTS
EXHIBIT 1C: PROJECTED CASHFLOW GRAPHS



SECTION I VALUATION RESULTS

EXHIBIT 1C: PROJECTED CASHFLOW GRAPHS *(CONTINUED)*

Projected Net Retiree Welfare Benefits
Split by Employee Group



SECTION I VALUATION RESULTS

EXHIBIT 1D: PROJECTED CASHFLOW TABLES[1]

Plan Year Beg. July 1,	Current Retiree Family Counts[2]				Future Retiree Family Counts[2]				Current + Future Retiree Family Counts[2]			
	MTS / Trolley	Transit Mngmt	Transit Union	All Groups	MTS / Trolley	Transit Mngmt	Transit Union	All Groups	MTS / Trolley	Transit Mngmt	Transit Union	All Groups
2007	24	53	141	218	0	0	0	0	24	53	141	218
2008	24	52	134	210	5	3	8	16	29	55	142	226
2009	24	51	128	203	10	6	15	31	34	57	143	234
2010	23	51	122	196	18	8	21	47	41	59	143	243
2011	23	50	115	188	26	11	29	66	49	61	144	254
2012	23	49	109	181	36	14	36	86	59	63	145	267
2013	22	48	103	173	48	16	43	107	70	64	146	280
2014	22	47	97	166	59	18	49	126	81	65	146	292
2015	21	46	92	159	70	20	54	144	91	66	146	303
2016	21	45	86	152	81	21	60	162	102	66	146	314
2021	18	39	59	116	132	25	80	237	150	64	139	353
2026	14	33	37	84	166	25	85	276	180	58	122	360
2031	10	25	19	54	177	25	79	281	187	50	98	335
2036	6	17	9	32	168	22	63	253	174	39	72	285
2041	3	9	3	15	142	18	46	206	145	27	49	221
2046	1	4	1	6	108	12	29	149	109	16	30	155

1 Because projected benefit payments are dependent upon many different assumptions about future claims, there can be a broad range of reasonable results. This illustration is based on a single "best estimate" set of assumptions used for our liability calculations and should be used with care when applied to financial planning. Small deviations between our best-estimate assumptions and actual experience (especially in regard to health care cost trend rates, retirement rates, and participation rates) could produce significantly different projected cash flows.

2 Counts do not include spouses of living retirees (though spouse benefit amounts are included on the next page). "Current retirees" in any year are those remaining from the initial 618 present at the valuation date, while "future retirees" are those projected to retire after the valuation date.

SECTION I VALUATION RESULTS

EXHIBIT 1D: PROJECTED CASHFLOW TABLES[1] *(CONTINUED)*

Plan Year Beg. July 1,	Gross Retiree Welfare Benefits[2]				Net Retiree Welfare Benefits[2]				Agency's Share of Benefits[2]			
	MTS / Trolley	Transit Mngmt	Transit Union	All Groups	MTS / Trolley	Transit Mngmt	Transit Union	All Groups	MTS / Trolley	Transit Mngmt	Transit Union	All Groups
2007	$ 190,600	$ 637,800	$ 981,900	$ 1,810,300	$ 82,900	$ 439,500	$ 303,800	$ 826,200	43%	69%	31%	46%
2008	245,100	703,600	945,600	1,894,300	114,500	497,400	331,400	943,300	47%	71%	35%	50%
2009	315,500	794,600	1,034,000	2,144,100	162,500	563,000	361,700	1,087,200	52%	71%	35%	51%
2010	401,400	890,300	1,121,700	2,413,400	227,100	634,500	391,300	1,252,900	57%	71%	35%	52%
2011	511,500	982,800	1,200,800	2,695,100	311,900	705,400	426,100	1,443,400	61%	72%	35%	54%
2012	654,900	1,045,500	1,288,700	2,989,100	416,600	752,200	460,800	1,629,600	64%	72%	36%	55%
2013	802,000	1,125,400	1,350,500	3,277,900	535,500	812,200	479,700	1,827,400	67%	72%	36%	56%
2014	956,400	1,160,800	1,420,900	3,538,100	661,400	836,700	502,700	2,000,800	69%	72%	35%	57%
2015	1,117,200	1,191,300	1,472,000	3,780,500	808,400	859,500	527,200	2,195,100	72%	72%	36%	58%
2016	1,303,000	1,227,200	1,485,700	4,015,900	966,800	886,100	548,700	2,401,600	74%	72%	37%	60%
2021	2,229,700	1,440,100	1,636,200	5,306,000	1,835,000	1,056,800	652,500	3,544,300	82%	73%	40%	67%
2026	3,122,400	1,623,300	1,676,400	6,422,100	2,660,300	1,214,400	712,100	4,586,800	85%	75%	42%	71%
2031	3,824,900	1,737,700	1,544,100	7,106,700	3,394,900	1,325,300	692,300	5,412,500	89%	76%	45%	76%
2036	4,448,400	1,662,000	1,360,800	7,471,200	4,014,100	1,282,500	628,400	5,925,000	90%	77%	46%	79%
2041	4,598,600	1,389,700	1,094,700	7,083,000	4,239,100	1,080,400	517,800	5,837,300	92%	78%	47%	82%
2046	4,312,700	1,001,600	820,700	6,135,000	4,070,700	782,500	398,300	5,251,500	94%	78%	49%	86%

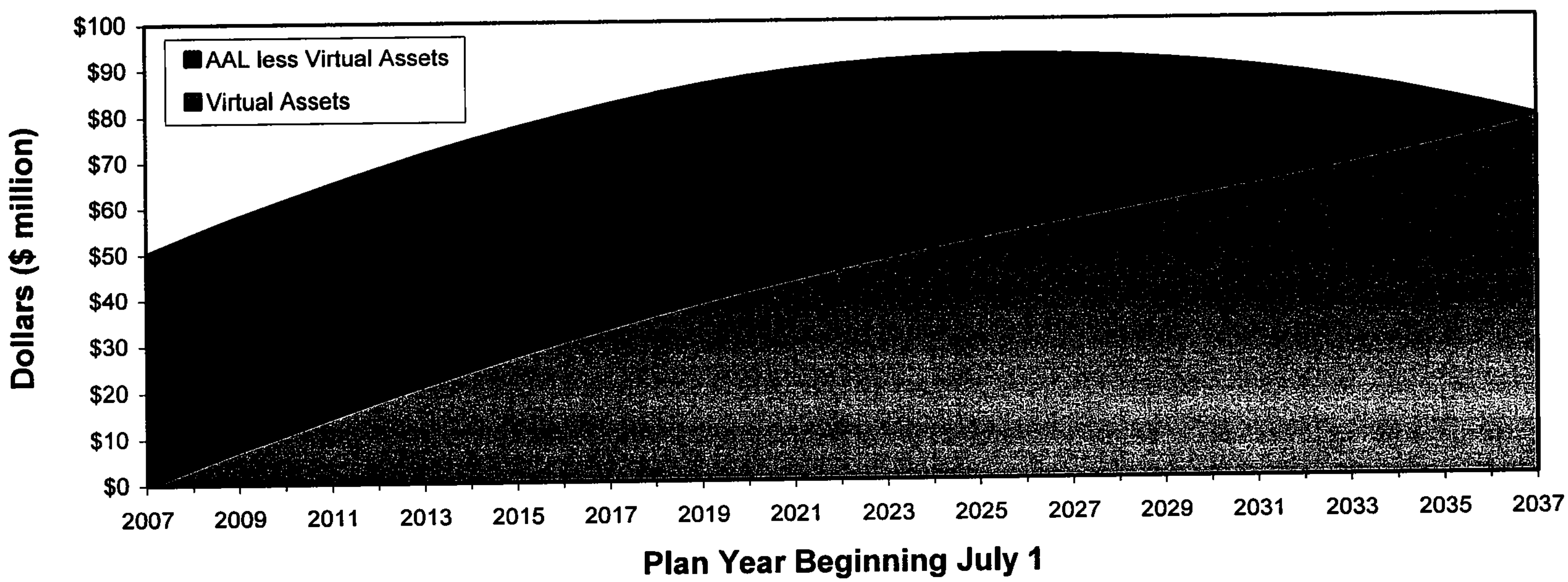
1 Because projected benefit payments are dependent upon many different assumptions about future claims, there can be a broad range of reasonable results. This illustration is based on a single "best estimate" set of assumptions used for our liability calculations and should be used with care when applied to financial planning. Small deviations between our best-estimate assumptions and actual experience (especially in regard to health care cost trend rates, retirement rates, and participation rates) could produce significantly different projected cash flows.

2 *Net Retiree Welfare Benefits* are equal to the subsidized portion of *Gross Retiree Welfare* Benefits. *Agency's Share of Benefits* is then the ratio of Net over Gross Benefits..

SECTION I VALUATION RESULTS

EXHIBIT 1E(i): PROJECTED LIABILITY GRAPH BASED ON 4.50% DISCOUNT RATE

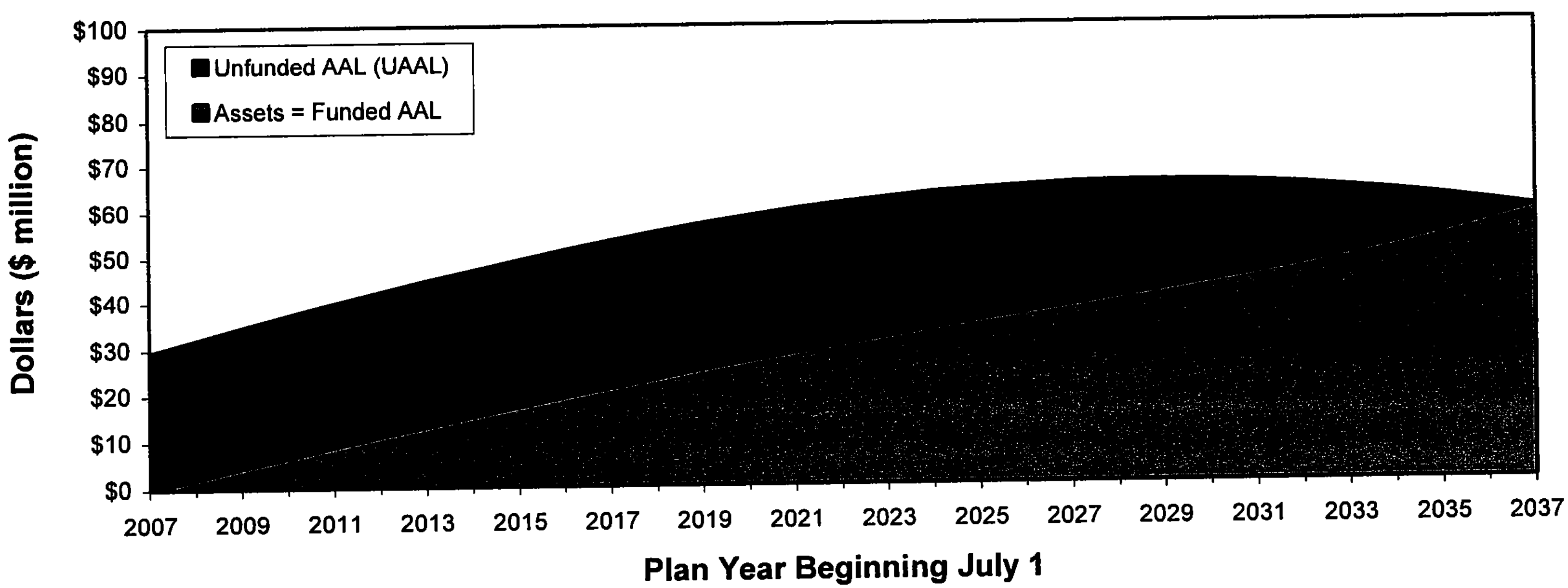
Projected Actuarial Accrued Liability (AAL) and Virtual Assets at 4.50% Discount



SECTION I VALUATION RESULTS

EXHIBIT 1E(ii): PROJECTED LIABILITY GRAPH BASED ON 7.75% DISCOUNT RATE

Projected Actuarial Accrued Liability (AAL), Assets, and Unfunded AAL (UAAL) at 7.75% Discount



SECTION I VALUATION RESULTS

EXHIBIT 1F(i): PROJECTED LIABILITY TABLE BASED ON 4.50% DISCOUNT RATE

Plan Year Beginning July 1,	Actuarial Accrued Liability (AAL)				Assets and Unfunded Liability		
	Benefit Payments	Normal Cost[1]	Interest Cost[2]	AAL[3] at Beginning of Year	Annual Contribution = Virtual ARC [4]	Virtual Assets[5] at Beginning of Year	AAL Less Virtual Assets at Beginning of Year
2007	$ 826,200	$ 2,560,100	$ 2,295,800	$ 50,162,800	$ 4,584,300	$ 0	$ 50,162,800
2008	943,300	2,315,800	2,469,100	54,192,500	4,405,700	3,841,600	50,350,900
2009	1,087,200	2,122,300	2,634,600	58,034,100	4,280,100	7,553,900	50,480,200
2010	1,252,800	1,962,600	2,792,500	61,703,800	4,190,600	11,157,900	50,545,900
2011	1,443,400	1,818,900	2,942,700	65,206,100	4,119,300	14,663,200	50,542,900
2012	1,629,600	1,675,200	3,084,500	68,524,300	4,050,400	18,058,500	50,465,800
2013	1,827,500	1,532,400	3,218,000	71,654,400	3,984,800	21,345,700	50,308,700
2014	2,000,800	1,406,900	3,342,700	74,577,300	3,939,000	24,511,600	50,065,700
2015	2,195,100	1,292,300	3,459,600	77,326,100	3,906,600	27,596,000	49,730,100
2016	2,401,600	1,173,000	3,567,400	79,882,900	3,872,300	30,587,400	49,295,500
2021	3,544,300	710,800	3,954,800	89,286,700	3,878,200	43,919,800	45,366,900
2026	4,586,800	397,600	4,063,700	92,376,700	4,114,300	54,691,200	37,685,500
2031	5,412,500	206,700	3,906,300	89,382,300	4,567,900	64,538,000	24,844,300
2036	5,924,900	90,400	3,500,800	80,681,000	5,207,900	75,674,900	5,006,100
2037				78,347,300		78,347,300	0

1 Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.
2 Interest Cost is approximately a full year of 4.50% on AAL, plus a half-year of 4.50% on the excess of Normal Cost over Benefit Payments.
3 AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.
4 Here we have assumed a contribution that is calculated using the same methodology as the GASB 43/45 Annual Required Contribution (ARC) except that it references "virtual" assets that have been informally set aside (but not irrevocably dedicated) to retiree welfare: Normal Cost plus an amortization of "AAL less virtual assets". For the amortization we used "static 30-year" level percent of pay (i.e., the initial $2,024,200 was increased by 3.25% each year but otherwise not recalculated), whereas actual future valuations will use "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).
5 Next year's Assets are equal to current year Assets plus Contribution less Benefit Payments, with a year's interest adjustment on Assets and a half-year's interest on the other two items.

SECTION I VALUATION RESULTS

EXHIBIT 1F(ii): PROJECTED LIABILITY TABLE BASED ON 7.75% DISCOUNT RATE

Plan Year Beginning July 1,	Actuarial Accrued Liability (AAL)				Assets and Unfunded Liability		
	Benefit Payments	Normal Cost[1]	Interest Cost[2]	AAL[3] at Beginning of Year	Annual Contribution = ARC[4]	Assets[5] at Beginning of Year	UAAL[5] at Beginning of Year
2007	$ 826,200	$ 1,198,100	$ 2,294,600	$ 29,423,400	$ 2,965,000	$ 0	$ 29,423,500
2008	943,300	1,080,100	2,492,200	32,089,900	2,904,400	2,220,200	29,869,700
2009	1,087,200	987,000	2,687,000	34,718,900	2,870,600	4,428,000	30,290,900
2010	1,252,800	910,400	2,878,100	37,305,700	2,855,200	6,622,400	30,683,300
2011	1,443,400	840,400	3,064,900	39,841,400	2,848,500	8,799,000	31,042,400
2012	1,629,600	767,600	3,245,600	42,303,300	2,840,900	10,939,500	31,363,800
2013	1,827,500	694,600	3,420,200	44,686,900	2,835,300	13,044,600	31,642,300
2014	2,000,800	632,400	3,588,500	46,974,200	2,842,700	15,101,700	31,872,500
2015	2,195,100	576,200	3,751,000	49,194,300	2,858,300	17,146,000	32,048,300
2016	2,401,600	516,400	3,906,100	51,326,400	2,872,700	19,163,200	32,163,200
2021	3,544,300	294,500	4,537,000	60,136,300	3,059,400	28,586,400	31,549,900
2026	4,586,800	153,700	4,858,900	64,869,100	3,398,000	36,839,400	28,029,700
2031	5,412,500	75,100	4,850,500	65,206,400	3,882,000	45,375,000	19,831,400
2036	5,924,900	30,900	4,493,000	60,866,700	4,498,000	56,563,200	4,303,500
2037				59,465,700		59,465,700	0

1 Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

2 Interest Cost is approximately a full year of 7.75% on AAL, plus a half-year of 7.75% on the excess of Normal Cost over Benefit Payments.

3 AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

4 Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For the amortization we used "static 30-year" level percent of pay (i.e., the initial $1,766,900 was increased by 3.25% each year but otherwise not recalculated), whereas actual future valuations will use "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

5 Next year's Assets are equal to current year Assets plus Contribution less Benefit Payments, with a year's interest adjustment on Assets and a half-year's interest on the other two items.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
GENERAL INFORMATION

The Actuarial Accrued Liability (AAL) is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, calculated using the Entry Age Normal actuarial cost method. For active employees, this method spreads costs from hire age to expected age at retirement. For the amortizations of Unfunded AAL and Net OPEB Obligation we used the "level percentage of projected payroll" method over a rolling 30 years.

The AAL resulting from our calculations and shown in this report are contingent upon a variety of assumptions about future events. We have grouped our valuation assumptions into the four exhibits described below. Note that actual experience is likely to vary from these assumptions.

- Exhibit 2A: Demographic Assumptions – Mortality, turnover, disability, retirement, and other items that affect the number of people eligible to receive future retiree benefits and the type of coverage elected.
- Exhibit 2B: Economic Assumptions – Rates of discount, compensation increase (if applicable), and health care trend.
- Exhibit 2C: Per-Capita Cost Assumptions – Current benefit costs and expenses as determined by historical experience and by future expectations for the Plan.
- Exhibit 2D: Retiree Self-Pay Assumptions – Current and future retiree self-pay amounts (or percentages) that have been used to offset projected benefit costs.

The mortality, turnover, and disability tables in *Exhibit 2A* are sample rates of participants leaving the group for reasons other than retirement. For each 10,000 active male participants of age 40 and in their fourth year of service, we expect that in the next year the following decrements will occur.

	MTS / Trolley	Transit Mngmt	Transit Union
Deaths	8	9	21
Terminations	928	1,400	2,000
Disablements	15	20	85

Upon attainment of the minimum age and service for benefits, turnover rates cut out and retirement rates begin. The complete retirement rate tables are shown in Exhibit 2A, with rates beginning at age 50 (or 53 for Transit) and attaining 100% by age 75 (or 70 for Transit). The plan selection and dependent assumptions at the end of Exhibit 2A are based on our study of the choices made by current actives and retirees.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS GENERAL INFORMATION (*CONTINUED*)

At the beginning of *Exhibit 2B*, the discount rate of 4.50% is the expected long-term rate of return on Agency assets (i.e., with no prefunding), while 7.75% is the expected return for prefunding the full ARC with the California Employers' Retiree Benefit Trust (CERBT). The compensation increase rate of 3.25% is the maximum allowed by CERBT for calculating the amortization component of ARC. The remainder of the exhibit describes the anticipated future annual increases in per-capita benefit costs and operating expenses. Note that by 2018/2019 all increases have graded to the same ultimate rate of 5%, which reflects the expected long-term trend for the medical Consumer Price Index.

In *Exhibit 2C* we have set the "net claims relative value factor" for ages 55 to 59 at a value of 1.000. The factors at all other ages are expressed relative to that base value factor. For example, within Transit Union (Exhibit 2C(iii) on page 36) the Kaiser factor at ages 60 to 64 is 1.150, which means that expected costs at those ages are 15.0% higher than expected costs for ages 55 to 59. The "net claims multiplier" is then the annual per-capita cost or expense in Plan Year 2007/2008 (*i.e.*, prior to the application of the trend rates detailed in Exhibit 2B) at the base age range of 55 to 59. In calculating this, we have considered the per-capita premium history and the demographics of the active and retiree groups. Dependent children costs were included with the adult figures.

Exhibit 2D describes how the retiree share of costs/expenses was reflected in 2007/2008 and future valuation years. In particular:

- **MTS/Trolley** retiree self-pays are actually dollar monthly amounts that vary by coverage tier and employee group, and which are now being forced by AB 2544 to increase at $100 per year until reaching the higher level of active self-pays. (See item 6 of Section V for more detail on the effects of AB 2544.) In most cases this results in an ultimate plan subsidy of 80% to 100% of PEMHCA premium, which we have reflected in this valuation as a table of decreasing retiree self-pay percentages.

- **Transit Management** retiree self-pays are generally expressed as a percentage of COBRA premium, where such percentage varies by age, service, and coverage tier (single versus two-party). For this valuation we have reflected the proposed change in percentages effective July 1, 2008.

- **Transit Union** retiree self-pays are initially calculated using a policy of "100% non-Medicare cost, 50% Medicare cost", but are then capped at the active family composite cost. We therefore did not attempt to apply the 100%/50% policy, instead projecting the actual 2007/2008 dollar self-pays at benefit trend rates.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2A(i): DEMOGRAPHIC ASSUMPTIONS – MTS / TROLLEY

MORTALITY: Rates are from the June 30, 2005 CalPERS pension valuation for non-industrial miscellaneous employers. Sample rates are as follows:

	ACTIVE		HEALTHY RETIRED		DISABLED RETIRED	
AGE	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE
20	0.02%	0.01%	0.05%	0.03%	0.73%	0.52%
30	0.04	0.02	0.08	0.03	0.77	0.58
40	0.08	0.05	0.10	0.07	0.87	0.64
50	0.16	0.10	0.25	0.14	1.46	1.13
60	0.31	0.23	0.72	0.44	2.87	1.88
70	0.63	0.50	2.14	1.28	4.67	3.02
80	1.28	1.11	6.26	3.88	9.48	6.51

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2A(i): DEMOGRAPHIC ASSUMPTIONS – MTS / TROLLEY *(CONTINUED)*

TURNOVER: Select and ultimate rates are from the June 30, 2005 CalPERS pension valuation for non-industrial miscellaneous employers. We used the sum of the rates for vested and non-vested turnover. Sample rates are as follows:

AGE	YEAR 1 RATE	YEAR 2 RATE	YEAR 3 RATE	YEAR 4 RATE	YEAR 26+ ULTIMATE RATE
20	17.60%	15.75%	13.90%	12.05%	2.59%
30	16.22	14.37	12.51	10.66	2.59
40	14.83	12.98	11.13	9.28	2.59
50	13.45	11.59	9.74	7.89	0.22
60	12.20	10.21	8.36	6.51	0.02

DISABILITY: Rates are from the June 30, 2005 CalPERS pension valuation for non-industrial miscellaneous employers. Sample rates are as follows:

AGE	MALE RATE	FEMALE RATE
20	0.01%	0.01%
30	0.02	0.04
40	0.15	0.16
50	0.37	0.35
60	0.55	0.39

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2A(i): DEMOGRAPHIC ASSUMPTIONS – MTS / TROLLEY *(CONTINUED)*

RETIREMENT: Rates are from the June 30, 2005 CalPERS pension valuation for non-industrial miscellaneous employers electing "2.7% at age 55" (for MTS) or "2.0% at age 55" (for Trolley)[1], except that Trolley rates have been rounded within each 10-year entry age bracket. Complete rates are as follows:

ATTAINED AGE	MTS		TROLLEY				
	MALE RATE	FEMALE RATE	ENTRY AGE 15 - 24	ENTRY AGE 25 - 34	ENTRY AGE 35 - 44	ENTRY AGE 45 - 54	ENTRY AGE 55+
50	5.0%	7.0%	3.5%	2.5%	2.0%	1.5%	n/a
51	2.0	5.0	3.0	2.0	1.5	1.0	n/a
52	3.0	5.0	3.0	2.5	1.5	1.0	n/a
53	3.0	6.0	4.0	3.0	2.0	1.5	n/a
54	4.0	6.0	5.5	4.0	3.0	2.0	n/a
55	9.0	10.0	13.5	10.5	7.5	5.5	n/a
56	7.0	8.0	11.0	9.0	6.5	4.5	n/a
57	8.0	7.0	12.0	10.0	7.5	5.0	n/a
58	8.0	10.0	13.5	11.5	8.5	6.0	n/a
59	10.0	9.0	14.5	12.5	9.5	6.5	n/a
60	17.0	13.0	20.5	18.0	13.5	9.5	7.0%
61	16.0	11.0	20.5	18.5	14.0	9.5	7.5
62	28.0	23.0	36.0	34.0	25.5	18.0	13.5

ATTAINED AGE	MTS		TROLLEY				
	MALE RATE	FEMALE RATE	ENTRY AGE 15 - 24	ENTRY AGE 25 - 34	ENTRY AGE 35 - 44	ENTRY AGE 45 - 54	ENTRY AGE 55+
63	23.0%	20.0%	36.5%	35.5%	26.5%	19.0%	14.0%
64	16.0	14.0	26.5	26.0	19.5	14.0	10.5
65	27.0	27.0	54.5	49.0	38.0	27.5	19.5
66	15.0	16.0	44.5	30.5	24.5	18.0	12.5
67	13.0	16.0	52.0	31.5	26.0	19.0	13.0
68	13.0	12.0	55.0	25.0	21.0	15.5	10.5
69	10.0	14.0	64.5	29.5	25.5	19.0	13.0
70	100.0	100.0	74.0	35.0	31.0	23.0	15.5
71	100.0	100.0	78.0	26.5	24.5	18.0	12.0
72	100.0	100.0	86.0	29.5	28.0	20.5	13.5
73	100.0	100.0	92.5	23.5	23.0	17.0	11.5
74	100.0	100.0	100.0	18.5	18.0	13.5	9.0
75+	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Trolley Management employees are also in the "Public Agency Retirement Service (PARS) Retirement Enhancement Plan" to make up the missing 0.7% from CalPERS.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2A(i): DEMOGRAPHIC ASSUMPTIONS – MTS / TROLLEY *(CONTINUED)*

PARTICIPATION: As described in item 6 of Section V, AB 2544 has caused us to assume an increasing schedule of PEMHCA subsidy percentages. We expect that any increase in the plan's share of premium will be accompanied by a rise in the portion of new retirees electing plan coverage and covering their spouse, thus we have assumed an increasing schedule of retiree and spouse participation percentages. Complete rates by year of decrement are as follows. Note that the "spouse participation percentage" below is applied on top of the 75% "covered spouse assumption" described on the next page. Also note that the below rates were multiplied by 10% for actives currently waiving health coverage.

PLAN YEAR BEG. JULY 1,	Retiree Participation Percentage						Spouse Participation Percentage					
	Under 65 Initial Retirement Age			65 & Over Initial Retirement Age			Under 65 Initial Retirement Age			65 & Over Initial Retirement Age		
	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union
2007	70%	65%	40%	85%	80%	45%	60%	65%	25%	70%	80%	30%
2008	85	70	45	100	80	55	60	65	35	70	80	45
2009	90	75	50	100	90	65	55	65	45	70	80	50
2010	95	75	55	100	95	70	60	70	45	70	85	55
2011	100	80	60	100	100	75	60	70	50	80	90	60
2012	100	85	60	100	100	80	65	75	50	90	95	60
2013	100	85	65	100	100	85	70	75	50	95	95	65
2014	100	90	65	100	100	90	70	75	55	95	95	70
2015	100	90	70	100	100	95	75	75	55	95	95	70
2016	100	95	70	100	100	95	80	75	55	100	95	75
2017	100	95	75	100	100	95	80	75	60	100	95	80
2018	100	100	75	100	100	100	80	75	60	100	95	80
2019	100	100	80	100	100	100	85	75	60	100	95	85
2020	100	100	80	100	100	100	85	80	65	100	100	85
2021	100	100	85	100	100	100	85	80	65	100	100	85
2022+	100	100	85	100	100	100	85	80	65	100	100	85

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2A(i): DEMOGRAPHIC ASSUMPTIONS – MTS / TROLLEY *(CONTINUED)*

Plan Selection at Retirement: Future retirees who elect coverage were assumed to select their retiree health providers in accordance with the following percentages. For comparative purposes, we are also showing the actual distributions of current actives and current retirees. Note that Blue Shield Net Value and PERS Select have no valuation date enrollment because they are new options as of January 1, 2008.

	Assumed Future Retirees	Actual Current Actives	Actual Current Retirees
Kaiser HMO	65%	75%	60%
Blue Shield Access Plus HMO	20	20	15
Blue Shield Net Value HMO	0	0	0
PERS Choice PPO [1]	12	5	20
PERS Select PPO	0	0	0
PERS Care PPO	3	0	5
	100%	100%	100%

Dependents: Demographic data was available for spouses of current retirees. For future retirees, 75% were assumed to cover a spouse, and husbands were assumed to be four years older than their wives.

Medicare Status: All retirees and their spouses were assumed to become Medicare-eligible at age 65. In addition, disabled members were assumed to become Medicare-eligible upon the second anniversary of their disablement.

[1] We assumed that out-of-state rates applied to all PERS Choice retirees.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2A(ii): DEMOGRAPHIC ASSUMPTIONS – TRANSIT

MORTALITY: Rates are from the July 1, 2007 pension valuation of the *Retirement Plans of San Diego Transit Corporation*. In particular, nondisabled Management rates are from the 1994 GAM table (weighted as 50% male / 50% female), disabled Management rates are from the PBGC Mortality Table for Females Receiving Social Security, nondisabled Union rates are from the 1984 UP table, and disabled Union rates are from the PBGC Mortality Table for Members *Not* Receiving Social Security (weighted as 25% male / 75% female). Sample rates are as follows:

	TRANSIT MANAGEMENT			TRANSIT UNION		
AGE	ACTIVE	HEALTHY RETIRED	DISABLED RETIRED	ACTIVE	HEALTHY RETIRED	DISABLED RETIRED
20	0.04%	0.04%	2.63%	0.13%	0.13%	0.04%
30	0.06	0.06	2.37	0.11	0.11	0.07
40	0.09	0.09	2.09	0.21	0.21	0.15
50	0.20	0.20	2.57	0.56	0.56	0.46
60	0.62	0.62	3.31	1.42	1.42	1.11
70	1.87	1.87	4.59	3.47	3.47	3.25
80	5.07	5.07	8.09	8.13	8.13	8.68

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2A(ii): DEMOGRAPHIC ASSUMPTIONS – TRANSIT *(CONTINUED)*

TURNOVER: Ten year select and ultimate rates are from the July 1, 2007 pension valuation of the *Retirement Plans of San Diego Transit Corporation*. Complete rates are as follows:

SERVICE YEAR	TRANSIT MANAGEMENT	TRANSIT UNION
1 – 2	25.00%	20.00%
3 – 4	14.00	20.00
5 – 10	8.00	7.00
11 +	1.30	5.00

DISABILITY: Incidence rates are from the July 1, 2007 pension valuation of the *Retirement Plans of San Diego Transit Corporation*. Complete rates are as follows:

AGE	TRANSIT MANAGEMENT	TRANSIT UNION
(all ages)	0.20%	0.85%

RETIREMENT: Rates are from the July 1, 2007 pension valuation of the *Retirement Plans of San Diego Transit Corporation*. Complete rates are as follows:

AGE	TRANSIT MANAGEMENT	TRANSIT UNION
53 – 54	15%	n/a
55 – 58	30	5%
59 – 61	30	10
62 – 64	60	30
65	60	55
66 – 69	60	30
70+	100	100

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2A(ii): DEMOGRAPHIC ASSUMPTIONS – TRANSIT *(CONTINUED)*

Participation: Among future retirees eligible for Plan benefits, 50% of Transit Management and 30% of Transit Union members were assumed to elect Plan participation at retirement.

Plan Selection at Retirement: Future Local 1309 retirees within Transit Union were assumed to elect dental as 40% indemnity, 45% prepaid, and 15% waive coverage. For all other benefit types within Management and Union there is only one benefit option.

Dependents: Demographic data was available for spouses of current retirees. For future retirees, 45% were assumed to cover a spouse (or 65% for Transit Union), and husbands were assumed to be three years older than their wives.

Medicare Status: All retirees and their spouses were assumed to become Medicare-eligible at age 65. In addition, disabled members were assumed to become Medicare-eligible upon the second anniversary of their disablement.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2B(i): ECONOMIC ASSUMPTIONS – MTS / TROLLEY

DISCOUNT RATE: 4.50% per annum, if monies are not irrevocably dedicated for retiree benefits
7.75% per annum, if monies are irrevocably dedicated for retiree benefits

COMPENSATION INCREASE RATE: 3.25% per annum

TREND RATES: [1]

PLAN YEAR BEG. JULY 1	KAISER HMO		BLUE SHIELD ACCESS PLUS HMO		PERS CHOICE PPO [2]		PERS CARE PPO	
	NON-MEDICARE	MEDICARE	NON-MEDICARE	MEDICARE	NON-MEDICARE	MEDICARE	NON-MEDICARE	MEDICARE
2007	8.55%	-1.70%	7.50%	3.40%	2.90%	1.05%	-1.30%	4.25%
2008	8.80	3.75	7.40	2.50	3.75	2.50	3.75	2.50
2009	9.25	5.00	9.25	5.00	7.25	5.00	7.25	5.00
2010	8.75	5.00	8.75	5.00	6.75	5.00	6.75	5.00
2011	8.25	5.00	8.25	5.00	6.25	5.00	6.25	5.00
2012	7.75	5.00	7.75	5.00	5.75	5.00	5.75	5.00
2013	7.25	5.00	7.25	5.00	5.25	5.00	5.25	5.00
2014	6.75	5.00	6.75	5.00	5.00	5.00	5.00	5.00
2015	6.25	5.00	6.25	5.00	5.00	5.00	5.00	5.00
2016	5.75	5.00	5.75	5.00	5.00	5.00	5.00	5.00
2017	5.25	5.00	5.25	5.00	5.00	5.00	5.00	5.00
2018+	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

1 The trend shown for a particular year is the rate that must be applied to that year's cost to yield the next year's projected cost. Uneven trends in the first two plan years are due to the use of actual premiums through calendar 2009. Not shown are the rates for Blue Shield Net Value and PERS Select, as those plans were not effective until January 1, 2008.

2 We assumed that out-of-state rates applied to all PERS Choice retirees.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2B(ii): ECONOMIC ASSUMPTIONS – TRANSIT MANAGEMENT

DISCOUNT RATE: 4.50% per annum, if monies are not irrevocably dedicated for retiree benefits
7.75% per annum, if monies are irrevocably dedicated for retiree benefits

COMPENSATION INCREASE RATE: 3.25% per annum

TREND RATES: [1]

PLAN YEAR BEG. JULY 1	MEDICAL	DRUG	DENTAL	VISION	EXPENSE	STOP-LOSS [2]
2007	10.00%	12.00%	2.00%	5.00%	5.00%	0.00%
2008	9.00	11.00	2.00	5.00	5.00	9.00
2009	8.00	10.00	2.00	5.00	5.00	8.00
2010	7.00	9.00	2.00	5.00	5.00	7.00
2011	6.00	8.00	2.00	5.00	5.00	6.00
2012	5.00	7.00	2.00	5.00	5.00	5.00
2013	5.00	6.00	2.00	5.00	5.00	5.00
2014+	5.00	5.00	2.00	5.00	5.00	5.00

1 The trend shown for a particular year is the rate that must be applied to that year's cost to yield the next year's projected cost.

2 The initial zero trend for stop-loss reflects the actual premium renewal as of August 1, 2008.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2B(iii): ECONOMIC ASSUMPTIONS – TRANSIT UNION

DISCOUNT RATE: 4.50% per annum, if monies are not irrevocably dedicated for retiree benefits
7.75% per annum, if monies are irrevocably dedicated for retiree benefits

COMPENSATION INCREASE RATE: 3.25% per annum

TREND RATES: [1]

PLAN YEAR BEG. JULY 1	KAISER NON-MEDICARE FOR LOCAL 465	KAISER NON-MEDICARE FOR LOCAL 1309	KAISER MEDICARE FOR ALL LOCALS	INDEMNITY DENTAL FOR LOCAL 1309	PREPAID DENTAL FOR LOCAL 1309	ADMINISTRATIVE EXPENSE FOR ALL LOCALS
2007	9.50%	6.00%	3.00%	1.50%	1.50%	5.00%
2008	9.00	9.00	9.00	5.00	5.00	5.00
2009	8.50	8.50	8.50	5.00	5.00	5.00
2010	8.00	8.00	8.00	5.00	5.00	5.00
2011	7.50	7.50	7.50	5.00	5.00	5.00
2012	7.00	7.00	7.00	5.00	5.00	5.00
2013	6.50	6.50	6.50	5.00	5.00	5.00
2014	6.00	6.00	6.00	5.00	5.00	5.00
2015	5.50	5.50	5.50	5.00	5.00	5.00
2016+	5.00	5.00	5.00	5.00	5.00	5.00

[1] The trend shown for a particular year is the rate that must be applied to that year's cost to yield the next year's projected cost. Low trends in the first plan year reflect actual premium renewals as of March 1, 2008.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2C(i): PER-CAPITA COST ASSUMPTIONS – MTS / TROLLEY

NET CLAIMS MULTIPLIERS (*i.e.*, Plan Year 2007/2008 annual cost for relative value factor = 1.00) [1]

	KAISER HMO	BLUE SHIELD ACCESS PLUS HMO	PERS CHOICE PPO [2]	PERS CARE PPO
	$ 4,525	$ 5,130	$ 6,217	$ 8,665

NET CLAIMS RELATIVE VALUE FACTORS

AGE	KAISER HMO	BLUE SHIELD ACCESS PLUS HMO	PERS CHOICE PPO [2]	PERS CARE PPO
Under 30	1.000	1.000	1.000	1.000
30 – 39	1.000	1.000	1.000	1.000
40 – 49	1.000	1.000	1.000	1.000
50 – 54	1.000	1.000	1.000	1.000
55 – 59	1.000	1.000	1.000	1.000
60 – 64	1.000	1.000	1.000	1.000
65 – 69	0.747	0.772	0.677	0.538
70 – 74	0.747	0.772	0.677	0.538
75 – 79	0.747	0.772	0.677	0.538
80+	0.747	0.772	0.677	0.538

1 Not shown are the costs for Blue Shield Net Value and PERS Select, as those plans were not effective until January 1, 2008.

2 PERS Choice costs shown are those for out-of-state only, as no future retirees were assumed to elect the PERS Choice in-state plan.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2C(ii): PER-CAPITA COST ASSUMPTIONS – TRANSIT MANAGEMENT

NET CLAIMS MULTIPLIERS (*i.e.*, Plan Year 2007/2008 annual cost for relative value factor = 1.00)

	MEDICAL	DRUG	DENTAL	VISION	EXPENSE [1]	STOP-LOSS [2]
	$ 4,412	$ 1,385	$ 427	$ 56	$ 581	$ 1,623

NET CLAIMS RELATIVE VALUE FACTORS

AGE	MEDICAL	DRUG	DENTAL	VISION	EXPENSE	STOP-LOSS
Under 30	0.435	0.435	1.000	1.000	1.000	1.000
30 – 39	0.465	0.465	1.000	1.000	1.000	1.000
40 – 49	0.655	0.655	1.000	1.000	1.000	1.000
50 – 54	0.795	0.795	1.000	1.000	1.000	1.000
55 – 59	1.000	1.000	1.000	1.000	1.000	1.000
60 – 64	1.150	1.150	1.000	1.000	1.000	1.000
65 – 69	0.445	1.295	1.000	1.000	1.000	1.000
70 – 74	0.495	1.435	1.000	1.000	1.000	1.000
75 – 79	0.550	1.590	1.000	1.000	1.000	1.000
80+	0.645	1.865	1.000	1.000	1.000	1.000

1 The expense multiplier applies only to retirees and surviving spouses (i.e., not to spouses of living retirees).

2 The stop-loss cost for spouses (i.e., the excess of two-party over single premium) is $1,659.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2C(iii): PER-CAPITA COST ASSUMPTIONS – TRANSIT UNION

NET CLAIMS MULTIPLIERS (*i.e.*, Plan Year 2007/2008 annual cost for relative value factor = 1.00)

	KAISER FOR LOCAL 465	KAISER FOR LOCAL 1309	INDEMNITY DENTAL FOR LOCAL 1309 [1]	PREPAID DENTAL FOR LOCAL 1309 [1]	EXPENSE FOR LOCAL 465 [1]	EXPENSE FOR LOCAL 1309 [1]
	$ 4,875	$ 5,370	$ 519	$ 233	$ 354	$ 237

NET CLAIMS RELATIVE VALUE FACTORS

AGE	KAISER FOR LOCAL 465	KAISER FOR LOCAL 1309	INDEMNITY DENTAL FOR LOCAL 1309	PREPAID DENTAL FOR LOCAL 1309	EXPENSE FOR LOCAL 465	EXPENSE FOR LOCAL 1309
Under 30	0.435	0.435	1.000	1.000	1.000	1.000
30 – 39	0.465	0.465	1.000	1.000	1.000	1.000
40 – 49	0.655	0.655	1.000	1.000	1.000	1.000
50 – 54	0.795	0.795	1.000	1.000	1.000	1.000
55 – 59	1.000	1.000	1.000	1.000	1.000	1.000
60 – 64	1.150	1.150	1.000	1.000	1.000	1.000
65 – 69	0.526	0.457	1.000	1.000	1.000	1.000
70 – 74	0.526	0.457	1.000	1.000	1.000	1.000
75 – 79	0.526	0.457	1.000	1.000	1.000	1.000
80+	0.526	0.457	1.000	1.000	1.000	1.000

1 The dental and expense multipliers apply only to retirees and surviving spouses (i.e., not to spouses of living retirees).

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2D(i): RETIRE SELF-PAY ASSUMPTIONS – MTS / TROLLEY

As described in item 6 of Section V, AB 2544 has caused us to assume an increasing schedule of PEMHCA subsidy percentages. These were reflected in the valuation by the *decreasing* schedules of retiree self-pay percentages shown below for each provider. Note that surviving spouses of deceased retirees are treated the same as single retirees in regards to required self-pays.

PLAN YEAR BEG. JULY 1,	KAISER Retiree Self-Pay Percentage						KAISER Spouse Self-Pay Percentage					
	Non-Medicare Ages			Medicare Ages			Non-Medicare Ages			Medicare Ages		
	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union
2007	40%	50%	85%	20%	35%	80%	60%	50%	90%	50%	35%	90%
2008	20	50	80	0	25	65	65	55	85	45	35	80
2009	5	45	70	0	20	55	65	55	80	50	30	70
2010	0	40	65	0	5	45	60	50	80	40	20	65
2011	0	35	60	0	0	35	55	45	75	25	10	60
2012	0	30	60	0	0	30	50	45	75	10	0	55
2013	0	25	55	0	0	20	45	40	70	0	0	50
2014	0	20	50	0	0	10	40	40	70	0	0	45
2015	0	15	45	0	0	0	35	40	65	0	0	40
2016	0	10	40	0	0	0	30	40	65	0	0	35
2017	0	5	40	0	0	0	25	40	65	0	0	30
2018	0	0	35	0	0	0	25	40	60	0	0	25
2019	0	0	30	0	0	0	20	40	60	0	0	20
2020	0	0	25	0	0	0	20	35	55	0	0	20
2021	0	0	25	0	0	0	15	35	55	0	0	15
2022+	0	0	20	0	0	0	15	30	55	0	0	15

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2D(i): RETIRE SELF-PAY ASSUMPTIONS – MTS / TROLLEY (*CONTINUED*)

PLAN YEAR BEG. JULY 1,	BLUE SHIELD ACCESS PLUS Retiree Self-Pay Percentage						BLUE SHIELD ACCESS PLUS Spouse Self-Pay Percentage					
	Non-Medicare Ages			Medicare Ages			Non-Medicare Ages			Medicare Ages		
	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union
2007	50%	55%	85%	35%	40%	80%	65%	55%	95%	55%	40%	90%
2008	30	55	80	5	40	75	70	60	90	55	45	85
2009	15	45	75	0	25	65	70	55	85	60	40	80
2010	5	40	70	0	15	55	70	50	80	60	30	75
2011	0	35	65	0	5	50	70	50	80	55	20	70
2012	0	30	65	0	0	45	65	45	80	40	15	65
2013	0	25	60	0	0	35	60	45	75	35	10	60
2014	0	20	55	0	0	30	55	45	75	25	10	55
2015	0	15	55	0	0	20	50	45	70	20	10	50
2016	0	10	50	0	0	15	45	45	70	10	10	50
2017	0	5	45	0	0	10	45	50	65	5	10	45
2018	0	0	40	0	0	0	40	50	65	0	15	40
2019	0	0	40	0	0	0	40	50	65	0	15	35
2020	0	0	35	0	0	0	35	45	60	0	10	35
2021	0	0	30	0	0	0	35	45	60	0	5	30
2022+	0	0	30	0	0	0	35	45	60	0	0	30

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2D(i): RETIRE SELF-PAY ASSUMPTIONS – MTS / TROLLEY (*CONTINUED*)

PLAN YEAR BEG. JULY 1,	PERS CHOICE Retiree Self-Pay Percentage						PERS CHOICE Spouse Self-Pay Percentage					
	Non-Medicare Ages			Medicare Ages			Non-Medicare Ages			Medicare Ages		
	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union
2007	55%	65%	90%	35%	45%	85%	70%	65%	95%	55%	45%	90%
2008	40	60	85	10	40	75	70	65	90	60	45	85
2009	25	55	80	0	30	65	75	65	85	60	45	80
2010	15	50	75	0	20	60	70	60	85	55	40	75
2011	15	45	70	0	15	55	65	55	85	45	30	75
2012	15	40	70	0	5	50	55	55	80	30	25	70
2013	15	35	65	0	0	45	50	50	80	20	20	65
2014	15	30	65	0	0	40	40	45	75	5	15	65
2015	15	30	60	0	0	35	35	45	75	0	10	60
2016	15	25	55	0	0	30	35	40	75	0	5	60
2017	15	20	55	0	0	25	30	40	70	0	5	55
2018	15	15	50	0	0	20	30	40	70	0	5	50
2019	15	15	50	0	0	15	30	40	70	0	0	50
2020	15	15	45	0	0	10	30	35	65	0	0	45
2021	15	15	40	0	0	5	30	35	65	0	0	45
2022+	15	15	40	0	0	5	30	30	65	0	0	40

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2D(i): RETIRE SELF-PAY ASSUMPTIONS – MTS / TROLLEY (*CONTINUED*)

PLAN YEAR BEG. JULY 1,	PERS CARE Retiree Self-Pay Percentage						PERS CARE Spouse Self-Pay Percentage					
	Non-Medicare Ages			Medicare Ages			Non-Medicare Ages			Medicare Ages		
	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union	MTS	Trolley Mngmt	Trolley Union
2007	70%	75%	90%	45%	50%	85%	80%	75%	95%	60%	50%	90%
2008	55	65	90	20	40	80	80	75	95	65	55	90
2009	45	55	85	0	20	70	80	75	90	65	55	80
2010	35	45	80	0	0	65	80	75	90	65	55	80
2011	25	40	80	0	0	60	85	75	85	70	55	75
2012	20	30	75	0	0	55	85	75	85	70	55	75
2013	15	25	75	0	0	50	85	75	85	70	50	70
2014	10	20	75	0	0	50	85	75	85	70	50	70
2015	5	15	70	0	0	45	85	75	80	75	55	65
2016	0	15	70	0	0	40	85	75	80	70	55	65
2017	0	10	65	0	0	35	80	75	80	65	55	60
2018	0	5	65	0	0	30	80	80	80	60	60	60
2019	0	0	60	0	0	30	75	80	75	55	60	55
2020	0	0	60	0	0	25	75	80	75	55	60	55
2021	0	0	55	0	0	20	75	75	75	50	55	50
2022+	0	0	55	0	0	15	75	75	75	50	55	50

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2D(ii): RETIRE SELF-PAY ASSUMPTIONS – TRANSIT MANAGEMENT

Retiree family self-pays are generally expressed as a percentage of COBRA premium, where such premium was $5,147 per person per year within 2007/2008 and was assumed to increase at the same rate as medical trend for this valuation. The table of self-pay percentages changed from age-based to age-and-service-based effective July 1, 2008, as indicated below. Before July 1, 2008, the exception was that employees who retired prior to July 1, 2003 first paid 75% of COBRA rates while under age 65, then paid the stop-loss rates thereafter. That exception does not exist after July 1, 2008.

		Self-Pay as a Percentage of COBRA Premium				
	Years of Service	Retiree or Survivor of Under Age 55	Retiree or Survivor of Ages 55 to 59	Retiree or Survivor of Ages 60 to 64	Retiree of Age 65+ with Spouse of Age 65+	Retiree of Age 65+ with Spouse of Under Age 65
Prior to July 1, 2008	any	75.0%	50.0%	40.0%	25.0%	25.0%
Beginning July 1, 2008 for *Retiree or Survivor*	5 to 9	85.0	60.0	55.0	37.5	37.5
	10 to 14	85.0	60.0	55.0	37.5	37.5
	15 to 19	80.0	57.5	52.5	35.0	35.0
	20 to 24	75.0	55.0	50.0	35.0	35.0
	25 to 29	70.0	52.5	47.5	30.0	30.0
	30+	60.0	50.0	45.0	30.0	30.0
Beginning July 1, 2008 for *Spouse*	5 to 9	85.0	70.0	65.0	42.5	62.5
	10 to 14	85.0	70.0	65.0	42.5	62.5
	15 to 19	80.0	62.5	57.5	40.0	57.5
	20 to 24	75.0	55.0	50.0	40.0	52.5
	25 to 29	70.0	47.5	42.5	35.0	47.5
	30+	60.0	40.0	35.0	35.0	42.5

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS

EXHIBIT 2D(iii): RETIRE SELF-PAY ASSUMPTIONS – TRANSIT UNION

Retiree dental selfpays are calculated as a percentage of premium: 100% for non-Medicare and 50% for Medicare ages. Retiree medical self-pays are initially calculated every March first as the same percentages of tiered Kaiser retiree premium plus projected administrative cost, but are then capped by the *family composite* active Kaiser premium plus administrative cost. This sort of capping method results in a significant extra subsidy for dependents of non-Medicare retirees (i.e., it reduces the two-party non-Medicare medical self-pay from 100% to about 65% of costs). For this valuation we mixed the actual self-pays effective March 1, 2007 and March 1, 2008 to produce the annual 2007/2008 rates below, then projected those at the same increase rate as assumed benefit trend.

Retiree	Spouse	Local 465 Self-Pay in 2007/2008 (Kaiser only)	Local 1309 Self-Pay in 2007/2008		
			Kaiser	Indemnity Dental	Prepaid Dental
Non-Medicare	None	$ 5,332	$ 6,002	$ 519	$ 233
Non-Medicare	Non-Medicare	7,884	7,572	519	233
Non-Medicare	Medicare	6,616	7,230	519	233
Medicare	None	1,468	1,348	$ 260	$ 117
Medicare	Non-Medicare	6,616	7,230	260	117
Medicare	Medicare	2,752	9,810	260	117

SECTION III SUMMARY OF PARTICIPANT DATA

DISTRIBUTION OF ACTIVE PARTICIPANTS BY EMPLOYEE GROUP AND AGE AT JUNE 30, 2006[1]

AGE GROUP	MTS / TROLLEY				TRANSIT MNGMT	TRANSIT UNION			ALL GROUPS
	MTS[2]	TROLLEY MNGMT	TROLLEY UNION	SUBTOTAL		LOCAL 465	LOCAL 1309	SUBTOTAL	
Under 20	0	0	0	0	0	3	0	3	3
20 – 24	2	1	23	26	0	7	6	13	39
25 – 29	18	2	28	48	1	8	13	21	70
30 – 34	15	5	40	60	3	12	24	36	99
35 – 39	15	12	55	82	7	11	44	55	144
40 – 44	7	13	60	80	8	21	63	84	172
45 – 49	15	19	70	104	19	36	87	123	246
50 – 54	18	16	52	86	23	26	109	135	244
55 – 59	12	8	32	52	15	27	94	121	188
60 – 64	3	9	15	27	3	14	38	52	82
65 – 69	2	1	2	5	0	3	5	8	13
70 & Over	0	0	1	1	0	0	0	0	1
Total	107	86	378	571	79	168	483	651	**1,301**
Average Age	42.7	47.3	43.3	43.8	49.2	46.6	48.9	48.3	46.4
Average Service Years	3.2	13.8	8.0	7.9	15.2	14.8	12.4	13.0	10.9

1 All census data was captured as of December 31, 2007, but the 58 actives hired within June to December 2007 were excluded from the valuation and from the counts above.

2 See the first bullet of item 1 in Section V for information on the 165 MTS/Trolley actives who are currently waiving health coverage.

SECTION III SUMMARY OF PARTICIPANT DATA (*CONTINUED*)

DISTRIBUTION OF CURRENT RETIREES BY EMPLOYEE GROUP AND AGE AT JUNE 30, 2006

AGE GROUP	MTS / TROLLEY				TRANSIT MNGMT [1]	TRANSIT UNION			ALL GROUPS
	MTS	TROLLEY MNGMT	TROLLEY UNION	SUBTOTAL		LOCAL 465	LOCAL 1309	SUBTOTAL	
Under 50	0	0	1	1	0	0	0	0	1
50 – 54	2	0	0	2	0	0	2	2	4
55 – 59	0	4	1	5	16	1	20	21	42
60 – 64	2	4	3	9	15	0	24	24	48
65 – 69	1	3	0	4	9	2	29	31	44
70 – 74	2	0	0	2	4	3	27	30	36
75 – 79	1	0	0	1	3	3	8	11	15
80 & Over	0	0	0	0	6	4	18	22	28
Total	8	11	5	24	53	13	128	141	**218**

1 Included with the Transit Management retiree count are three surviving spouses of deceased retirees.

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS
(i) MTS / TROLLEY

Retiree welfare **eligibility** requires receipt of pension payments from the California Public Employees' Retirement System (CalPERS), which itself requires at least age 50 (or disabled at any age) with at least 5 years of service. Employees must also have been eligible for active health coverage (by having six months of service) just prior to retirement, but actual active coverage or full-time status is not necessary.

The specific **benefits** available to retirees are three HMO's and three PPO's offered through the Public Employees' Medical and Hospital Care Act (PEMHCA). Coverage is for life, contingent on continued self-pays as described in Exhibit 2D(i).

Covered dependents of eligible retirees include legal spouses, domestic partners, unmarried children up until age 23, and older children who are wholly dependent on the retiree and incapable of self-support because of a mental or physical incapacity that existed prior to age 23. Surviving dependents of deceased retirees are covered for life, contingent on continued self-payments and regardless of pension form election. Surviving dependents of deceased actives have no benefits beyond COBRA.

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS
(i) MTS / TROLLEY (CONTINUED)

Non-Medicare Retiree HMO/PPO Plan Descriptions

	Kaiser HMO	Blue Shield HMO [1]	PERS Choice PPO [1]	PERS Care PPO
Calendar Year Deductible	none	none	$500 / person, $1000 / family	$500 / person, $1000 / family
Annual Out-of-Pocket Maximum (excluding drugs)	$1500 per person, $3000 per family	$1500 per person, $3000 per family	PPO: $3000/pers or $6000/fam, Non-PPO: none	PPO: $2000/pers or $4000/fam, Non-PPO: none
Lifetime Maximum	none	none	$2 million per person	none
Hospital – Inpatient	fully covered	fully covered	80% PPO / 60% non-PPO covered	90/60% covered after $250 deduct
Hospital – Outpatient	full after $15 copay	fully covered	80/60% covered	80/60% covered
Physician Office Visits	full after $15 copay	full after $15 copay	PPO: full after $20 copay, non-PPO: 60%	PPO: full after $20 copay, non-PPO: 60%
Prescription Drugs – Retail	full after $5/15 copay, 100-day limit	full after $5/15/45 copay, 30-day limit	full after $5/15/45 copay, 30-day limit	full after $5/15/45 copay, 30-day limit
Prescription Drugs – Mail Order	full after $5/15 copay, 100-day limit	full after $10/25/75 copay, 90-day limit	full after $10/25/75 copay, 90-day limit	full after $10/25/75 copay, 90-day limit
Mental Health / Substance Abuse – Inpatient	fully covered	fully covered	80/60% covered up to 20 days/year	90/60% covered up to 30 days/year
Mental Health / Substance Abuse – Outpatient	full after copay of $15 for indiv, $7 MH or $5 SA for group	full after $20 MH or $15 SA copay, up to 20 visits/year	80/60% covered up to 24 visits/year	90/60% covered up to 30 visits/year
MH/SA – Lifetime Maximum	none	none	$12k on SA only	$12k on SA only

1 The Blue Shield "Access Plus" benefits shown are the same as for Blue Shield "Net Value". Likewise, the PERS Choice benefits shown are the same as for PERS Select.

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS
(i) MTS / TROLLEY (CONTINUED)

Medicare Retiree HMO/PPO Plan Descriptions

	Kaiser HMO	Blue Shield HMO [1]	PERS Choice PPO [1]	PERS Care PPO
Deductible & Lifetime Max	none	none	none	none
Annual Out-of-Pocket Maximum (excluding drugs)	$1500 per person, $3000 per family	none	none	none
Hospital	full except for $10 outpatient copay	fully covered	fully covered	fully covered
Physician Office Visits	full after $10 copay	full after $10 copay	fully covered	fully covered
Prescription Drugs	(same as non-Medicare)	(same as non-Medicare)	(same as non-Medicare)	(same as non-Medicare)
MH/SA – Inpatient	fully covered	fully covered	fully covered	fully covered
Mental Health / Substance Abuse – Outpatient	full after copay of $10 for individual or $5 for group	full after $20 MH or $10 SA copay, up to 20 visits/year	fully covered	fully covered
Chiropractic	full after $10 copay, up to 20 visits/year	full after $10 copay	fully covered	fully covered
Hearing Aids (every 3 yrs)	100% up to $1000	100% up to $1000	80% covered	80% covered
Vision – exam	full after $10 copay	full after $10 copay	100% up to $35	100% up to $35
Vision – lenses & glasses	100% up to $175 every 2 years	not covered	100% up to various limits	100% up to various limits

[1] The Blue Shield "Access Plus" benefits shown are the same as for Blue Shield "Net Value". Likewise, the PERS Choice benefits shown are the same as for PERS Select.

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS
(ii) TRANSIT MANAGEMENT

Retiree welfare **eligibility** requires receipt of pension payments from the Retirement Plans of San Diego Transit Corporation, which itself requires at least age 53 (or disabled at any age) with at least 5 years of service. Employees must also have had full-time active health coverage just prior to retirement.

The specific **benefits** available to retirees are indemnity medical, drug, dental, and vision. Coverage for all benefit types is for life, contingent on continued self-pays as described in Exhibit 2D(ii).

Covered dependents of eligible retirees include legal spouses, domestic partners, unmarried children up until age 19, older children who are wholly dependent on the retiree and incapable of self-support because of a mental or physical incapacity that existed prior to age 19, and full-time student children up until age 25. Surviving dependents of deceased retirees are covered for life, contingent on continued self-payments and regardless of pension form election. Surviving dependents of deceased actives have no benefits beyond COBRA.

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS

(ii) TRANSIT MANAGEMENT (CONTINUED)

Retiree Benefit Plan Descriptions

	Medical/Drug
Deductible	$250 per person or $450 per family, per calendar year (not applicable to prescription drugs)
Out-of-Pocket Maximum	$1200 per person or $3000 per family, per calendar year
Lifetime Maximum	$2 million per person
Plan Coinsurance	90% PPO, 70% non-PPO, except as follows:
Hospital	100% PPO, 70% non-PPO
Hearing Aids	80% up to $1500 every five years
Chiropractic	90% PPO, 70% non-PPO, up to $2000 per person per year
Mental Health	80% PPO, 60% non-PPO, up to 14 inpatient days and 26 outpatient visits per year
Prescription Drugs	100% after copay of $8/15/24 retail (34-day limit), $16/30/48 mail-order (90-day limit)

	Dental	**Vision**
Deductible	$50 per person or $150 per family (not applicable to preventative or orthodontia), per calendar year	None
Annual Maximum	$2000 per person (except that Orthodontia has a Lifetime Maximum of $2000 per person)	None
Plan Coinsurance	100% for preventative and diagnostic, otherwise as follows: Basic Restorative: 90% for panel provider, 80% other Major Restorative: 65% for panel provider, 60% other Orthodontia: 60% for panel provider, 50% other	100% up to the following annual limits: Exam: $75 Frames: $120 Lenses: $60/$75/$100 for regular, $200 for contacts

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS
(iii) TRANSIT UNION

Retiree welfare **eligibility** requires receipt of pension payments from the Retirement Plans of San Diego Transit Corporation, which itself requires at least age 55 (or disabled at any age) with at least 5 years of service. Employees must also have had full-time active health coverage just prior to retirement.

The specific **benefits** available to retirees are Kaiser HMO and an optional DHS dental benefit (indemnity or prepaid). Coverage for all benefit types is for life, contingent on continued self-pays as described in Exhibit 2D(iii).

Covered dependents of eligible retirees include legal spouses, domestic partners, unmarried children up until age 19, older children who are wholly dependent on the retiree and incapable of self-support because of a mental or physical incapacity that existed prior to age 19, and full-time student children up until age 23. Surviving dependents of deceased retirees or deceased actives have no benefits beyond COBRA.

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS
(iii) TRANSIT UNION (CONTINUED)

Retiree Benefit Plan Descriptions

Kaiser HMO	Local 465 – Non-Medicare	Local 465 – Medicare	Local 1309 – Non-Medicare	Local 1309 – Medicare
Deductible	none	none	none	none
Out-of-Pocket Maximum	varies by year	varies by year	varies by year	varies by year
Hospital	fully covered	fully covered	fully covered	fully covered
Physician Office Visits	full after $15 copay	full after $10 copay	full after $20 copay	full after $10 copay
Prescription Drugs	full after $10/20 copay	full after $10/10 copay	full after $10/25 copay	full after $10/20 copay
Mental Health – Inpatient	fully covered	fully covered	fully covered	fully covered
Mental Health – O/P	full after $10 copay	full after $10 copay	full after $20 copay	full after $10 copay
Substance Abuse	full after copay of $10 for individual or $5 for group		full after copay of $20 for individual or $5 for group	
Vision (exam only)	full after $10 copay	full after $10 copay	full after $20 copay	full after $10 copay

DHS Dental	PPO Plan	Prepaid Plan
Deductible per cal year	$50 / person or $150 / family (n/a to preventative and ortho)	none
Annual Maximum	$1000 per person ($750 for Orthodontia)	varies by case and by adult versus child
Lifetime Maximum	none (except $1500 for Orthodontia)	none (except $500 for Periodontic)
Plan Coinsurance	100% for preventative and diagnostic, otherwise as follows:	100% for preventative and diagnostic, otherwise as follows:
Basic Restorative	90% for PPO, 70% for non-PPO	100% after certain copays
Major Restorative	60% for PPO, 40% for non-PPO	100% after certain copays
Orthodontia	50% for PPO, 50% for non-PPO	100% up to annual maximum

SECTION V NOTES TO AUDITOR

1. Included in the calculation are retirees in receipt of health benefits and active employees (who are potentially eligible for future retiree health benefits) with the following Agency subgroups:

   - **Metropolitan Transit System** (MTS), of which the two groups below are subsidiaries.
   - **San Diego Trolley Inc** (SDTI), which is further split into Management versus Mechanics Union (IBEW Local 465). Since this group has the same benefit structure as MTS, we have combined them as "MTS/Trolley" for report exhibits. Note that Trolley Management is a closed group as of 2005, with all newly hired or promoted managers enrolled as MTS. Note that 165 (approximately 30%) of the active MTS/Trolley employees are currently declining health benefits. These participants were included in the valuation but with one-tenth the assumed future participation rate as other actives.
   - **San Diego Transit Corp** (SDTC), which is further split into Management versus Mechanics Union (IBEW Local 465) versus Drivers Union (ATU Local 1309). Management here has a different benefit structure than Union, and so we have split the report exhibits between "Transit Management" and "Transit Union".

2. We used participant information furnished by the Agency and the Plan administrators. Data items were reviewed for reasonableness and consistency, but no audit was performed. Assumptions or estimates were made when data was not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results presented. In particular, there were no participants reported with missing age or service information.

3. Our calculations were based on our understanding of the Plan from materials provided to us by the Agency and the Plan administrators.

4. We used claims experience, enrollment, and premium rate information provided by the Agency and the Plan administrators to perform the following analysis of per-capita costs.

   - For MTS/Trolley we used the actual PEMHCA rates effective January first of 2007, 2008, and 2009.
   - Transit Management costs and expenses were based on combined active/retiree experience for the three years ending December 31, 2007 (or the 44 months ending March 31, 2008 for medical and drug). Annual per-capita incurred costs were trended to fiscal year 2007/2008 and combined by taking a weighted average. Retiree medical and drug

costs within five-year age groups were then estimated by applying standard utilization factors, an assumed Medicare effect at age 65, and the census counts as of the measurement date. The adult per-capita costs include a slight load to account for child dependent benefits.

- For Transit Union we used the actual Kaiser and DHS rates effective March first of 2007 and 2008. Administrative expenses were based on combined active/retiree experience for the three years ending February 28, 2008. Annual per-capita expenses were trended to fiscal year 2007/2008 and combined by taking a weighted average.

5. Since MTS/Trolley medical benefits are provided through PEMHCA, we believe that this group's demographic characteristics do not materially affect the premium rate applied to all PEMHCA members. As such, we have not measured any implicit subsidies that may exist in the cost of covering MTS/Trolley non-Medicare retirees.

6. For MTS/Trolley participants, Plan subsidies of the PEMHCA premiums vary by employee subgroup, provider, and coverage tier. The subsidies for actives have been much higher than for retirees, but **California Assembly Bill 2544** ("AB 2544") now requires that retiree subsidies begin grading up to the active level, with active/retiree parity targeted for the twentieth year of PEMHCA participation: 2010 for MTS, 2019 for Trolley Management, and 2022 for Trolley Union. The only relief is that a given retiree monthly subsidy does not have to increase by more than $100 per year.

We have assumed that MTS/Trolley complies with the AB 2544 increase schedule, resulting in a large set of projected retiree subsidy percentages that vary by provider, retiree versus spouse, non-Medicare versus Medicare age, and employee group. Many of these projections ultimately reach 100% of premium, and all are accompanied by increases in the assumed participation rate for future retirees, so that the aggregate increase in Plan benefit payments is dramatic. The following table shows MTS/Trolley GASB 45 items (in $ millions) before and after reflection of AB 2544.

Discount rate: AB 2544 effects:	4.50% before	4.50% after	7.75% before	7.75% after
APVB at June 30, 2007	$ 12.6	$ 40.5	$ 6.3	$ 18.8
AAL at June 30, 2007	7.7	23.7	4.3	12.5
Normal Cost for 2007/2008	0.7	2.1	0.3	1.0
ARC for 2007/2008	1.0	3.1	0.6	1.7

SECTION V NOTES TO THE AUDITOR *(CONTINUED)*

7. The California Employees' Retiree Benefit Trust (CERBT) is an IRC Section 115 trust maintained by CalPERS as a retiree welfare prefunding vehicle for any California public sector employer. Actuarial valuations to determine CERBT contributions must comply with the following CERBT-mandated assumptions and methods, and we have complied with all of them for the alternative ("7.75% discount rate") disclosures within this valuation.
   - The AAL cost method must be **Entry Age Normal**. This is the GASB-allowed method that has been most often employed for public sector pension valuations.
   - The discount rate must be **7.75%**, which is the expected long-term rate of return on CERBT assets.
   - The UAAL amortization component of ARC must be calculated as a **level percent of pay** using an assumed compensation increase rate of no higher than **3.25%**.
   - The actuarial value of assets must be fourteen-fifteenths of expected value plus one-fifteenth of market value (but always within 20% of market value). This assumption will not apply until the Agency actually accumulates some CERBT assets.

8. The Plan's OPEB liability for other than postretirement welfare benefits (e.g., the COBRA liability) was determined to be de minimis.

9. We are not aware of any significant events subsequent to the valuation date that could materially affect the results presented.

APPENDIX A ACCOUNTING REQUIREMENTS

Transition to GASB 43/45

Previously (under GASB 12 and 26), public sponsors were only required to disclose the existence of any postretirement welfare benefit plans. No liability disclosure was needed unless they were already including such in their financial statements. This is now superseded by two related statements: GASB 43 (released in April 2004) applies to a funded plan's financial statement, while GASB 45 (released in August 2004) applies to a sponsoring employer's financial statement. The new rule requires an actuarial valuation of dedicated assets, liability, annual cost, and accrual status. Valuations may be performed every other year, except that annual valuations are required if there are any significant amendments or demographic shifts. This is similar to current public pension rules (GASB 25 for plans and GASB 27 for employers), except there's no minimum required funding. The biggest impact will therefore be on bond ratings.

The first year that a sponsoring employer's financial statement must comply with GASB 45 depends on the sponsor's annual revenue: first fiscal year beginning on or after December 15, 2006 if there is at least $100 million in annual revenue (Phase 1), December 15, 2007 if there is $10 million to $99 million in annual revenue (Phase 2), or December 15, 2008 if there is less than $10 million in annual revenue (Phase 3).

If the plan has a dedicated trust fund then its financial statement must comply with GASB 43 by one year prior to that described above for GASB 45, and in any case GASB 45 must be adopted by one year after the plan complies with GASB 43. Phase 1 sponsors with non-calendar fiscal years must therefore adopt GASB 45 by 2007/2008, but of course early compliance is encouraged.

The table on the next page shows that GASB 43/45 has greater flexibility than FASB 106 (allowing more cost methods and amortization periods) but results in the same or greater accrued liability. The discount rate assumption is long-term (a high trust rate if funded or low sponsor general asset rate if unfunded), so it won't need to be changed every year as for corporate or multiemployer calculations. There are also two favorable considerations given to small plans: those with less than 200 members may disclose only every three years, and those with less than 100 members may use simplified assumptions and methods. Note that the final GASB statements eliminated any exception in the case where retirees self-pay 100% of a mixed active/retiree premium. That is, GASB 43/45 disclosures must account for any implicit subsidy of the retirees by the actives.

Sector Comparisons of OPEB Accounting Terminology and Methods

	Corporate (FASB 106)	Multiemployer (SOP 92-6)	Public (GASB 43/45)
Accrued Liability	**APBO** (Accumulated Postretirement Benefit Obligation) = portion of each participant's APVB (Actuarial Present Value of Benefits) attributed to their service-to-date.	Benefit Obligation = same as APBO.	**AAL** (Actuarial Accrued Liability) = same as APBO. The excess of this over assets is the UAAL (Unfunded AAL).
Annual Cost	**NPPBC** (Net Periodic Postretirement Benefit Cost) = Normal Cost (portion of each participant's APVB attributed to their current service year), less the asset return, plus amortizations of initial unfunded liability and subsequent liability changes.	Not applicable.	**ARC** (Annual Required Contribution) = Normal Cost plus amortization of UAAL. ***Note that despite the name, there is no requirement to actually contribute this or any other amount.***
Accrual Status	**APBC** (Accrued Postretirement Benefit Cost) = cumulative excess of prior NPPBC over benefit payments & contributions.	Not applicable.	**NOO** (Net OPEB Obligation) = same as APBC.
Allowable Cost Methods (for attributing APVB to service years)	**Modified PUC** (Projected Unit Credit) = uniform allocation from hire to date of full eligibility for benefits. Note that regular PUC allocates over a longer period: from hire to expected termination age.	Modified PUC.	From slowest to fastest funding (lowest to highest liability): PUC (modified or not), Aggregate, Frozen Attained Age, Frozen Entry Age, Attained Age, and Entry Age.
Allowable Amortization Methods and Periods	**Level dollar** method, generally over average future service years (or average future lifetime if mostly inactives). Immediate recognition allowed in certain circumstances.	Not applicable.	**Level dollar** or **level percentage of pay** method, over any period under 30 years (but minimum 10 years if there's a decrease due to new cost or asset value method).

APPENDIX A ACCOUNTING REQUIREMENTS *(CONTINUED)*

Specific GASB 43 Requirements

The objective of this statement is to establish a uniform standard of measurement and financial reporting for postretirement welfare benefit plans (also known as Other Postemployment Benefit or OPEB plans) of governmental entities. The financial statement of a defined benefit OPEB plan of a governmental entity must include a reconciliation of net plan assets from beginning to end of the last plan year (with an asset breakdown shown at each point). The financial statement *notes* must then include the following:

- General description of benefit plan provisions, accounting methods, and any funding or reserve policy. Also needed here is a description of the covered group and the participant count as of the last valuation date.
- Summary of actuarial assumptions and methods, including discount rate, compensation increase rate, health trend rates, asset valuation method, actuarial cost method, and any amortization methods and periods.
- **Actuarial Accrued Liability** (AAL) as of the latest valuation date, noting the percentage of AAL covered by assets (the Funded Ratio) and the ratio of unfunded AAL to payroll.
- **Schedule of Funding Progress**, showing all elements of the previous bullet as of the latest valuation date, second most recent valuation date (if any), and third most recent valuation date (if any). As noted above, in most cases there will be valuations done every other year, so that this schedule will likewise show amounts for every other year.
- **Schedule of Employer Contributions**, showing the Annual Required Contribution (ARC) and the percentage of such amount that was actually contributed by the employer for the plan year of the financial statement and for every year back to that following the third most recent valuation date. Note that while each valuation produces an ARC applicable to the year following the valuation date, for the purpose of this schedule, one can apply the same ARC for two years in a row (or three years in the case of less than 200 members) in order to get a continuous annual history of ARC and actual contribution amounts. This and the prior schedule are actually to be presented as "Required Supplementary Information" (RSI) after the end of the statement notes.

APPENDIX A ACCOUNTING REQUIREMENTS *(CONTINUED)*

Specific GASB 45 Requirements

The objective of this statement is to improve the "faithfulness and usefulness" of OPEB-related disclosures in the financial statements of governmental entities. The financial statement of a governmental entity must include, for each of its defined benefit OPEB plans, all of the GASB 43 disclosure items plus the following additional note disclosures:

- Reconciliation of **Net OPEB Obligation** (NOO) from beginning to end of the last fiscal year. This will show how the prior NOO is first decreased by benefit payments (if unfunded) and contributions (if funded), then increased by the Annual OPEB Cost (AOC). If the beginning-of-year NOO is zero, then the AOC is simply equal to the ARC as calculated for the Schedule of Employer Contributions. Otherwise the AOC equals ARC plus interest on the initial NOO less an amortization of the initial NOO.

- Up to a three-year historical summary of fiscal year AOC, the percentage of AOC actually contributed in the fiscal year, and NOO as of the end of the fiscal year.

MTS Metropolitan Transit System

Recommended for Board Consent on 9/25/08

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda Item No. D1

OPS 970.6

JOINT MEETING OF THE EXECUTIVE COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

September 18, 2008

SUBJECT:

SDTI: SD 100 LIGHT RAIL VEHICLE REPAIRS SOLE-SOURCE CONTRACT AWARD

RECOMMENDATION:

That the Executive Committee forward a recommendation to the Board of Directors to:

1. find that there is only a single source of procurement for repairs to Siemens Transportation Systems, Inc. (Siemens) SD 100 Light Rail Vehicle (LRV) No. 2052;

2. find that Siemens is the sole-source provider for the structural repair service for San Diego Trolley Inc. (SDTI) LRV No. 2052; and

3. under the provisions of MTS Board Policy No. 52 (4E), authorize the Chief Executive Officer (CEO) to award a sole-source, fixed-price contract to Siemens to repair SDTI LRV No. 2052.

This action requires a two-thirds vote of all members of the Board of Directors.

Budget Impact

The estimated cost is between $400,000.00 and $750,000.00 for the completed repair, which would be encumbered under the LRV Maintenance line item of the FY 09 operating budget. This line item would be replenished from the insurance reimbursement funds less the $25,000.00 deductible. The total impact is therefore estimated to be $25,000.00.

Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company.
MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

DISCUSSION:

On March 14, 2008, SDTI LRV No. 2052 was involved in a collision with a full-sized pickup truck going approximately 35 miles per hour. The truck failed to stop at a crossing protected by warning bells and gates and entered into the path of the approaching 2-car train. The train could not avoid the collision and struck the pickup truck broadside pushing the vehicle approximately 80 feet. The collision and the continued forward momentum resulted in substantial front and side body damage. The impact also caused the derailment of the A-End power bogie of the LRV. Other damage included major structural and component damage of the A-end and B-side of the LRV. Major visible damages include the coupler, front and side body panels, doors leaf, and steps within the doors and windows. LRV No. 2052 also sustained major under-car component damage to the main propulsion unit (chopper) and associated equipment.

After careful inspection by staff, it was determined that it is in the best interest of MTS to contact Siemens, the original equipment manufacturer (OEM), as Siemens has the technical expertise and facilities for these types of repairs. Siemens would certify that the repairs are properly made, install new equipment, warranty the repair and equipment, and test the entire car system in accordance with SDTI and California Public Utilities Commission standards. SDTI does not have the technical expertise or staff to perform this type of major rework. Damages to the LRV are extensive and require specialized equipment (i.e., jigs, stands, and tools). Because the electrical wiring raceways are in the damaged area, all electrical systems require rework, new wiring harness and connections, new and repaired equipment installed, and system testing to ensure system functionality. Siemens would perform the required electrical tests and commission the electrical system and vehicle to ensure that the repaired systems are as new or in a safe and reliable condition to return the car to revenue services.

SDTI does not have copies of the structural drawings for the SD 100 vehicles. These drawings are considered proprietary in nature and a trade secret of Siemens. Therefore, Siemens is considered the sole-source provider of accident damage repair services for the SD 100 vehicle.

Siemens proposed and SDTI concurs that the repair process be undertaken in four phases.

Phase 1: Detailed investigation of the vehicle in order to understand the magnitude of the damage. The vehicle will require partial disassembly in the affected areas.

Phase 2: Define all necessary work and a list of parts that need to be repaired or replaced.

Phase 3: LRV vehicle will be reassembled and all work documented.

Phase 4: LRV will be tested in Sacramento and commissioned at the SDTI maintenance facility pursuant to Siemens Series VI documentation for the SD 100 vehicle.

Staff is working with Risk Management staff regarding recovery of all costs and liabilities from the insurance carrier.

The total estimated proposed cost to repair the vehicle ranges between $400,000.00 and $750,000.00. The $25,000.00 amount is the insurance deductible portion, which SDTI must pay directly to Siemens.

Overall, the proposal submitted by Siemens was found to be responsive for the repairs necessary to meet the needs and to return the LRV back into revenue service in a reliable and safe condition.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Terry Mulcahy, 619.595.4904, terry.mulcahy@sdmts.com

SEPT18-08.D1.SD100 LRV REPAIR.MYNIGUEZ.doc

Attachments: A. Draft Standard Services Agreement
B. Cost Estimate

DRAFT

Att. A, AI D1, 9/18/08

STANDARD SERVICES AGREEMENT

____
CONTRACT NUMBER

____
FILE NUMBER(S)

THIS AGREEMENT is entered into this ______ day of ______________ 2008, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Siemens Transportation Systems Inc.

Form of Business: Corporation
(Corporation, partnership, sole proprietor, etc.)

Address: 7464 French Road
Sacramento, CA 95828

Telephone: 916.681.3209

Authorized person to sign contracts: Bradrick Allison (Name) Sales Representative (Title)

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, as follows:
To provide all labor, materials, and equipment necessary to repair accident damage on LRV No. 2052 as described in Siemens' Estimated Price Quote. This contract consists of the Standard Services Agreement, the Standard Conditions Services, the Federal Requirements, and Siemens' Proposal for Estimated Repairs for LRV No. 2052.

The total estimated cost for completed repairs shall be between $400,000.00 and $750,000.00. The total contract amount shall not exceed $25,000.00, which MTS shall pay directly to Siemens Transportation Systems Inc. This represents the insurance deductible portion.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: ______________________ Chief Executive Officer	Firm: ______________________
Approved as to form:	By: ______________________ Signature
By: ______________________ Office of General Counsel	Title: ______________________

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
$25,000.00	352-53610	FY 09

By: ____
Chief Financial Officer | Date

(___ total pages, each bearing contract number)

SEPT18-08.D1.AttA.SIEMENS SSA.MYNIGUEZ.doc

IN-HOUSE COST ESTIMATE LRV 2052

Item #	Description	Repairing Cost	Replacing Cost
	COUPLER		
1	Mechanical & Electrical head and draft gear buffer		$65,000.00
	BODY SHIRT		
2	Right side		$750.00
3	Left side		$750.00
	A-END BOGIE		
4	Bogie Frame	$2,000.00	$4,000.00
5	Tires		$8,000.00
6	Wheels		$4,000.00
7	Axels	$4,000.00	$8,000.00
8	Traction Motors	$50,000.00	$130,000.00
9	Gear Boxes	$10,000.00	$30,000.00
10	Slewing Rings	$4,000.00	$8,000.00
11	Calipers	$4,000.00	$20,000.00
12	EHU's	$1,500.00	$3,000.00
13	Track Brakes	$1,000.00	$3,000.00
14	Cow Catcher Frames	$2,000.00	$4,000.00
	SHOCKS		
15	Vertical	$1,000.00	$2,000.00
16	Horizontal	$1,000.00	$2,000.00
	LIGHTS		
17	Headlight		$600.00
18	Taillight		$600.00
	DOORS		
19	Glass		$300.00
20	Leafs 3B & 4B	$3,000.00	$6,000.00
21	Step Well 3B & 4B	$1,500.00	$3,000.00
22	E/H butterfly plate	$500.00	$1,000.00
23	Light barrier 3B & 4B	$500.00	$1,500.00
24	Floor buckled at step well	$1,000.00	$2,000.00
	WINDOW		
25	Glass - side		$600.00
26	Glass - front		$500.00
	JACKING POINTS		
27	Lifting point shroud A-end	$400.00	$1,000.00
28	Chopper Unit	$100,000.00	$350,000.00
29	Blower Motor air intake access cover	$500.00	$1,000.00
	ASSORTED BODY DAMAGE		
30	A & B sides & ends	$2,000.00	$4,000.00
	PARTS TOTAL	**$189,900.00**	**$664,600.00**
	LABOR		
31	Maintainer $26.50 per hour (2900)	$76,850.00	
32	Supervisor $28.84 per hour (296)	$8,536.64	
	LABOR TOTAL	**$85,386.64**	

33	PARTS TOTAL	$189,900.00	$664,600.00
34	LABOR TOTAL	$85,386.64	$85,386.64
35	**GRAND TOTAL**	**$275,286.64**	**$749,986.64**

Metropolitan Transit System

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DRAFT

Agenda

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

September 25, 2008

9:00 a.m.

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ADLs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

		ACTION RECOMMENDED
1.	Roll Call	
2.	Approval of Minutes - September 11, 2008	Approve
3.	Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board.	

Please turn off cell phones and pagers
during the meeting

Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company.

MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

CONSENT ITEMS

The Executive Committee will determine if the following items will be on the Board agenda as Consent or Discussion (see Executive Committee items under Section D).

6. SDTI: SD 100 Light Rail Vehicle Repairs Sole-Source Contract Award — Approve

Action would: (1) find that there is only a single source of procurement for repairs to Siemens Transportation Systems, Inc. (Siemens) SD 100 Light Rail Vehicle (LRV) No. 2052; (2) find that Siemens is the sole-source provider for the structural repair service for San Diego Trolley, Inc. (SDTI) LRV No. 2052; and (3) authorize the CEO to award a sole-source, fixed-price contract to Siemens Transportation Systems, Inc. to repair SDTI LRV No. 2052.

Budget Impact - The estimated cost is between $400,000.00 and $750,000.00 for the completed repair, which would be encumbered under the LRV Maintenance line item of the FY 09 operating budget. This line item would be replenished from the insurance reimbursement funds less the $25,000.000 deductible. The total impact is therefore estimated to be $25,000.00.

CLOSED SESSION

24. a. MTS: CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a): National Railroad Passenger Corporation (Amtrak) v. San Diego Trolley, Inc. (SDTI) Claim No. TL10339906 — Possible Action

b. SDTI: CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6 — Possible Action
Agency-Designated Representative - Jeff Stumbo
Employee Organization - International Brotherhood of Electrical Workers 465

c. MTS: CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code section 54956.8 — Possible Action
Property: Assessor Parcel Nos. 461-320-7, 12, 20, 21, and 29, San Diego, California
Agency Negotiators: Tiffany Lorenzen, MTS General Counsel, Tim Allison, Manager Real Estate Assets
Negotiating Parties: Potential Qualified Developers
Under Negotiation: Price and Terms of Payment

Oral Report of Final Actions Taken in Closed Session

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30.	MTS: New Flyer Buses for Chula Vista - Contract Amendment Action would authorize the CEO to execute Amendment No. 2 with New Flyer Industries for five 40-foot, low-floor compressed natural gas-powered buses to replace older buses in Chula Vista.	Approve

REPORT ITEMS

45.	MTS: Liability Claims Analysis Report Action would receive the Liability Claims Analysis Report for MTS, San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI).	Receive
46.	MTS: Annual Performance Monitoring Action would receive a report for information.	Receive
47.	MTS: GASB 45 Actual Valuation of Postemployment Welfare Benefits Action would receive a report for information.	Receive
60.	Chairman's Report	Information
61.	Audit Oversight Committee Chairman's Report	Information
62.	Chief Executive Officer's Report	Information
63.	Board Member Communications	
64.	Additional Public Comments Not on the Agenda If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.	
65.	Next Meeting Date: October 16, 2008	
66.	Adjournment	