

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

February 8, 2007

MTS  
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

Chairman Mathis called the meeting to order at 9:00 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Ms. Atkins moved approval of the minutes of the January 11, 2007, Executive Committee meeting. Mr. Ewin seconded the motion, and the vote was 3 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. MTS: Audit Review Process (ADM 110.7, PC 50101)

Ms. Sharon Cooney, Director of Governmental Affairs and Community Relations, reported that staff, as requested by the Board of Directors, had researched options for Board oversight of financial audits. Ms. Cooney reported that staff surveyed peer agencies and that, based on that research, staff is recommending that the Executive Committee be tasked with providing audit oversight. Ms. Cooney then reviewed the oversight process as recommended in the agenda item. In response to a question from Ms. Atkins, Ms. Cooney explained that about half of the agencies surveyed use their Executive Committee and about half use their Budget Development Committee to perform this function. Mr. Paul Jablonski, MTS CEO, advised the Committee that some of the systems that were surveyed recommended not combining budget development and audit oversight functions in one committee.

Mr. Ewin stated that he was in support of the Executive Committee serving in this capacity and stated that it was important for the audit process to be watched from the beginning. Chairman Mathis felt that the Executive Committee or the Budget Development Committee should provide this oversight rather than a separate Audit Review Committee. Mr. Jablonski suggested having the auditors meet with the Executive Committee at the beginning of the audit to outline their process and timeline, revisit the Executive Committee with a progress report in October or November, and then present findings to the Committee in late November. He stated that the Executive Committee would then recommend that the audit be forwarded to the Board.

Ms. Atkins felt that having the Executive Committee perform this function was a good idea but added that many public agencies are now forming audit committees

for this purpose. She favored increased awareness of the process itself and added that Board oversight will only be as good as the skill sets (financial and audit expertise) of the members who carry out this function. She added that carrying out this oversight only provides checks and balances, it does not provide any guarantees; the Board is still relying on staff and the auditors themselves. She stated that she was not in favor of forming an audit committee because she did not feel that Board members have the skill sets necessary to serve in that capacity.

Mr. Roberts asked if there would be legal ramifications from having an audit committee and asked also if calling a committee by that name suggests some level of expertise. Ms. Tiffany Lorenzen, MTS General Counsel, stated that she would venture to think no, but that an audit committee would have certain responsibilities for review of the process. She offered to do additional research in this area. Ms. Atkins offered city attorney staff as a research resource. Mr. Ewin requested that the Executive Committee be provided with a summary of the responsibilities of an audit committee, and stated that the Executive Committee could use this to determine what skill sets are needed relative to meeting the responsibilities of that committee. Mr. Ewin felt that the Executive Committee had enough expertise and experience to at least look at the process, understand the responsibilities, and then decide if it needs to be restructured. Mr. Rindone expressed his support of having the Executive Committee provide audit oversight and stated that the Budget Development Committee serves a different function. Mr. Roberts briefly discussed the Executive Committee's demonstrated ability to deal with financial issues that have arisen in the past. He added that, even though Executive Committee members rotate on and off of the Committee, there has been more stability on this committee than any other governmental committee in which he has been involved. He stated that, historically, the Executive Committee has far less turnover. He added that MTS and its Board does not have members with the financial expertise or qualifications with which to form a separate audit committee.

Mr. Jablonski suggested that the auditors make a presentation to the Executive Committee at the beginning of the audit process and that the Committee decide how to proceed from there. Mr. Roberts felt that the most important thing was to have the auditors present at meetings at which recommendations are being made. Mr. Ewin stated that there is a fine line between oversight and being able to ask questions about process as opposed to actually knowing the answer. He stated that once the Committee knows what its responsibilities are, it will be easier for the Committee to carry out its role.

Chairman Mathis suggested that this item be sent back to staff. Mr. Cliff Telfer, MTS Chief Financial Officer, suggested that the auditors come to a March Executive Committee meeting at which time Committee members could ask the auditors what they recommend. Mr. Jablonski suggested that staff meet with the auditors and ask them, based on their experience, to put together a list of duties associated with the audit process, which could then be discussed at a future Executive Committee meeting.

#### Action Taken

No action was taken.

2. MTS: Inventory of Potential Joint Development Properties (LEG 461, PC 50791)

Mr. Tim Allison, MTS Right-Of-Way Manager, provided the Committee with a brief overview of revised Policy No. 18, Joint Use and Development of Property. He also provided the Committee with a brief overview of the initial priorities determined by staff for the selection of property to be developed. Mr. Allison passed out a spreadsheet showing each property and the criteria used as a foundation for determining those priorities. He stated that the properties with the highest priorities (first tier – interest already expressed by developers) are Grantville Station, El Cajon Transit Center, Bayfront/E Street Station, H Street Station, and Encanto/62<sup>nd</sup> Street Station. Mr. Allison clarified for Mr. Ewin that unsolicited proposals for properties in the other tiers on the priority list would also be considered.

Mr. Jablonski stated that MTS's challenge is to ensure there is a balance in the proposal process so it is not onerous for developers yet gives MTS the information it needs to make an informed decision about maximizing return and the strength of the developer and the plan, etc. He stated that outside consultants would be needed for this process. Mr. Emery expressed his support for using consultants to provide guidance in this area. He suggested that staff maintain some distance from this process and ensure that consultants that are used don't have financial relationships with the developers and/or other interested parties.

In response to a question from Mr. Roberts, Mr. Allison explained that staff will be developing the Requests for Proposals (RFPs) for the Grantville and El Cajon Transit Center properties. He stated that staff will also be developing the RFPs for the consultant services that will be needed. He stated that MTS will be working with the City of San Diego Redevelopment Agency on the Grantville Station property. Mr. Roberts stated that the staff resources needed to handle these types of matters is substantial and expressed concern that MTS does not have the resources to handle more than one project at a time. He also expressed concern about the potential cost for consultants. He stated that staff needs more experience in this area and, based on workload issues, it may be more financially prudent to hire an additional employee with the needed level of expertise as opposed to paying a consultant.

Mr. Ewin stated that MTS should have good quality projects but didn't feel comfortable with placing limitations on the number of projects within a given time period. Mr. Roberts stated that he wasn't necessarily in favor of limiting the number of projects being pursued at one time but wanted to make sure that MTS doesn't overestimate the capacity it has. He pointed out that MTS's General Counsel has a lot of regular duties to perform that are very important to MTS.

Mr. Jablonski advised the Committee that he and staff were thinking about visiting with the transit agencies in Los Angeles and San Francisco to talk with the development teams for the projects that they are doing. Mr. Roberts expressed an interest in seeing the sites in San Diego that are being discussed and requested that Mr. Jablonski make these visits to Los Angeles and San Francisco. Mr. Jablonski stated that MTS will need to evaluate for future projects whether to continue with land-lease deals or actually sell the properties. He pointed out that land-leases pretty much preclude doing condominiums and other for-sale types of properties because no one wants to buy a residence on leased land. He stated

that projects on leased land are therefore commercial in nature or consist of apartments. He added that some projects include a mix of leased and purchased land with a mix of rental, commercial, and for-sale properties erected on the land.

Mr. Jablonski briefly discussed Southeastern Economic Development Corporation (SEDC)'s interest in the Encanto/62<sup>nd</sup> Street Station but pointed out that their project is larger in terms of scope. Mr. Allison stated that the SEDC has an Imperial Avenue Master Plan and has already selected a preferred developer. He added that they would take the lead and would bring the transit area in as part of the gateway to their project. Mr. Roberts didn't feel that MTS should accept SEDC's proposal and contractor as a given – that there needs to be some assurance that MTS is able to proceed in the best way in support of its own interests. Mr. Allison advised the Committee that the SEDC has been advised of that. Mr. Roberts stated that MTS should not rush into any project even if it means a delay in the project. He added that MTS needs to ensure that it is in a position to handle the additional tasks involved. Mr. Ewin stated that MTS has, by now, a good understanding of what the process is for these types of projects. He stated that MTS should recognize that these projects offer an opportunity to meet a public need for housing adjoining transit and are also a way for MTS to gain unexpected revenues. Mr. Roberts stated that, at the same time, MTS needs to ensure that it can carry out its operating mandate.

Mr. Jablonski advised the Committee that this agenda item reflects MTS's change in approach to joint development – that MTS is going to be more proactive rather than waiting for opportunities to come up. Mr. Ewin stated that he thinks MTS needs to decide if it will turn down projects because it lacks capacity to handle them or add resources so it can handle the projects.

#### Action Taken

Mr. Roberts moved to direct staff to (1) visit with other transit properties regarding their experiences with joint development; (2) make a determination regarding the time commitment needed on the part of General Counsel and whether it would be more advantageous to retain real estate consultant counsel; (3) return to the Committee with a plan on the Encanto property; and (4) bring this agenda item along with the additional information and a recommended process back to the Executive Committee for further discussion. Mr. Ewin seconded the motion, and the vote was 5 to 0 in favor.

### 3. MTS: Airport Transit Plan (SRTP 840.9.1, PC 50451)

Mr. Mark Thomsen, MTS Sr. Transportation Planner, provided the Committee with an overview of the San Diego International Airport (SDIA)'s plans to increase airport capacity to meet passenger demand through 2015 and beyond. Mr. Thomsen reviewed the current service to SDIA provided on Route No. 992, "The Flyer", and recent changes that have been implemented. He also reviewed SDIA plans to increase capacity at Terminal 2 by ten gates, develop a parking structure, and reconfigure the roadway network. He reported that, with the resulting reduced travel time through the airport, it may be possible to provide direct service to both Terminals 1 and 2 from Pt. Loma and Ocean Beach on Route No. 923. He introduced SDIA's presentation of the Airport Transit Plan and provided a brief

overview of the elements that posed potential issues of significance to MTS, including the proposed Old Town Shuttle, the scope of Bus Rapid Transit (BRT) priority treatments, and the limited potential market for new express transit services to the SDIA.

Mr. Ted Anasis, Manager of Airport Planning and, Ms. Angela Shafer-Payne, Vice President, Strategic Planning Division, for the San Diego County Regional Airport Authority, were introduced to the Committee. Mr. Anasis distributed copies of a binder titled "Airport Transit Plan" and reviewed the contents with the Executive Committee. He reported that the goal of the plan, which was developed by the SDIA with input from several regional, state, and federal transportation agencies, was to increase the transit market share of trips to the airport from the current 1.2 percent of airline passengers to 4 to 6 percent. He advised the Executive Committee that the Regional Airport Authority will be holding a day-long retreat on Tuesday, February 13, and this topic will be one of the items on their agenda. Ms. Shafer-Payne reported that the retreat will start at 9:00 a.m. and will be held on the third floor of the commuter terminal. Ms. Shafer-Payne stated that she and Mr. Anasis will present the Executive Committee's comments at the retreat.

Mr. Rindone felt that it was a serious flaw of the plan to have no trolley connection to the airport. He distributed a document from the Unified Port of San Diego that showed that there are already tracks in the vicinity of the airport near Pacific Highway and Washington Street. He requested that this component be given consideration.

Mr. Ewin questioned why airport infrastructure would be changed if the airport is going to be moved.

Mr. Roberts stated that MTS had implemented changes in previous years as part of other airport plans only to have the airport change its plans. He stated that the reason that transit doesn't carry as many people to the airport in San Diego as in other cities is because the airport is very convenient for cars. He added that taxicabs are also an attractive option. He stated that both Grape and Hawthorne are almost at capacity, yet the airport is talking about increasing parking and make travel by car to the airport easier, which would increase congestion on these streets. He added that it doesn't make sense to have the trolley serve the airport. Mr. Anasis stated that the recommended second-level roadway would improve transit connections and travel through the airport.

Mr. Rindone requested that MTS send representatives to the Tuesday retreat.

Chairman Mathis asked why the north-side taxiway is no longer part of the plan and stated that this is a key issue.

Mr. Jablonski reported that low-floor buses will soon be used on the routes that serve the airport, which would fulfill one of the Tier 1 goals of the proposed plan. He also expressed concern that, should an express bus service be provided from Old Town to the airport, then airport passengers will use Old Town as a park-and-ride facility. He reported that parking is at capacity at this location, and legislators and local officials as well as merchants are already concerned about the limited amount of parking that is available for Old Town patrons. He stated that it would be

very difficult to deter people from using Old Town as a park and ride. He suggested using Santa Fe Depot instead of Old Town, which would provide a quicker trip to the airport for transit users. He also stated that maybe the airport would like Amtrak to stop at Old Town to make a connection to the airport.

Mr. Emery suggested that SANDAG be apprised of the Executive Committee's comments on this agenda item.

Action Taken

Mr. Rindone moved to (1) receive a report regarding the San Diego International Airport's proposed Airport Transit Plan; (2) request that the airport reexamine the benefit of having a north-side taxiway; (3) request that the airport accelerate plans to implement direct transit service to the airport; and (4) direct MTS staff to report at the February 25, 2007, MTS Board meeting on the discussion that took place during the airport authority's retreat. Mr. Ewin seconded the motion, and the vote was 5 to 0 in favor.

4. MTS: SANDAG's Interstate 15 Bus Rapid Transit Project Update (CIP 11481)

Mr. Conan Cheung, MTS Director of Planning and Scheduling, provided the Committee with a follow-up report on I-15 Bus Rapid Transit (BRT). He reviewed the service plan, the effect of Riverside demand, and statistics on the recent test use of double-decker buses.

Ms. Danielle Kochman, SANDAG Assistant Regional Planner, provided the Committee with an overview of the results of the survey that was conducted by SANDAG of passenger experiences on double-decker buses. She reported that the majority of the respondents rated all aspects of the experience as good. She reported that passengers riding in the upper deck rated the overall ride comfort slightly lower than passengers on the lower deck, and commuter express riders who are used to over-the-road coaches were less enthusiastic about this bus style than the riders on Route Nos. 20 and 210. She summarized by stating that the higher seating capacity makes the double decker a good alternative for routes with heavy loads.

Mr. Cheung reported that it would cost approximately \$900,000 to retrofit existing maintenance structures to accommodate double-decker buses or \$185,000 to build a separate maintenance structure with a mobile lift. He stated that it would cost about \$300,000 to retrofit each compressed natural gas fueling lane. He stated that there is currently a \$2.5 million annual operating shortfall for the I-15 BRT project. He added that SANDAG has a proposed plan to address this shortfall but does not have a plan to address the additional \$1 million shortfall should there be a reduction in FasTrak revenues.

Action Taken

Mr. Rindone moved to receive this report for information. Mr. Ewin seconded the motion, and the vote was 5 to 0 in favor.

5. MTS: Status of Transfer of Operations from National City Transit (OPS 930)

Ms. Cooney reported that staff has made overtures to the City of National City and McDonald Transit on a number of occasions to make arrangements for the formation of a transition team. She stated that the City of National City has now declined to participate, and executives from McDonald Transit just agreed to meet with Mr. Jablonski next week. She stated that staff has reviewed National City Transit accounts and has determined that sufficient advance payments have been made to carry through most of March. She reported that it was decided that no more payments would be made until the net operating subsidy obligation has been finalized.

Ms. Cooney also advised the Committee that Transit Maintenance Consultants has performed inspections of the National City Transit buses and specific maintenance needs were identified. She stated that a follow-up inspection is scheduled for February 24 and 25. She added that McDonald Transit has been notified that the buses will be transferred on March 3.

Ms. Cooney reported that MTS will be holding a meeting on February 18 with McDonald Transit employees to they can hear from and speak to representatives from Veolia and San Diego Transit. She stated that letters have been sent out to employees as well as the Amalgamated Transit Union providing them with that information. She added that service in National City will be assumed by MTS on March 4, the same date that Comprehensive Operational Analysis service changes are being implemented.

Mr. Jablonski confirmed for Mr. Roberts that MTS will not be utilizing the building that was being used by National City Transit.

Action Taken

Ms. Atkins moved to receive a report on the transfer of operations from National City Transit to MTS contract services. Mr. Rindone seconded the motion, and the vote was 5 to 0 in favor.

6. MTS: Appointment of SANDAG Transportation Committee Alternate Representative (LEG 405, PC 50101)

Chairman Mathis opened nominations for the position of Alternate Representative on the SANDAG Transportation Committee.

Action Taken

Mr. Rindone nominated Bob Emery. Atkins seconded the nomination. Chairman Mathis closed nominations. The vote was 4 to 0 in favor with Mr. Emery abstaining.

The Committee convened to Closed Session at 11:05 a.m. to discuss the following items:

7. CLOSED SESSION: - MTS: Public Employee Performance Evaluation (Chief Executive Officer) California Government Code Section 54957.

The Committee reconvened to Open Session at 11:41 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Lorenzen reported the following actions taken in Closed Session:

- (7) The Executive Committee received a report from the Director of Human Resources and the Chief Executive officer and requested that this item be forwarded to the Board for consideration at its next meeting.

D. REVIEW OF DRAFT JANUARY 18, 2007 BOARD AGENDA

Recommended Consent Items

6. MTS: San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports and Ratify Actions Taken by the SD&AE Railway Company Board of Directors at its January 23, 2007, Meeting (SDAE 710.1, PC 50771)

Recommend that the Board of Directors (1) receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Carrizo Gorge Railway, Inc. (Carrizo) quarterly reports (Attachment A of the agenda item); and (2) ratify actions taken by the San Diego and Arizona Eastern (SD&AE) Railway Company Board of Directors at its meeting on January 23, 2007 (Attachments B – D of the agenda item).

7. MTS: State Transit Assistance Claim Amendment (FIN 340.2, PC 50601)

Recommend that the Board of Directors adopt Resolution No. 07-1 (Attachment A of the agenda item) amending the FY 2007 State Transit Assistance claims.

8. SDTI: Right-Of-Way Vegetation Control Services Contract Amendment (OPS 970.6)

Recommend that the Board of Directors authorize the San Diego Trolley, Inc. President to approve Contract Amendment No. 5 to SDTI Doc. No. C.O.008.0-04 (Attachment A of the agenda item) with Allied Weed Control for right-of-way vegetation control services using chemical applications on 190 acres and ratify all previous contract amendments for a total contract value of \$126,180.62.

9. MTS: Trapeze Software Group, Inc. – Contract Amendment (OPS 980.5)

Recommend that the Board of Directors authorize the CEO to execute a contract amendment (MTS Doc. B0399.4-03), in substantially the same format as Attachment A of the agenda item), to establish a reimbursement schedule for maintenance fees to Trapeze Software Group, Inc.

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

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



11. MTS: Creative Development and Image Advertising Services (MKPC 620.9, PC 50551)

Recommend that the Board of Directors authorize the CEO to execute Option Two of two 1-year option extensions (MTS Doc. No. G0919.3-04 – Attachment A of the agenda item) with Wash Creative, Inc., for continuation of creative development and image advertising services.

12. MTS: SDTI Yard Security Project – Contract Work Order (CIP 11210)

Recommend that the Board of Directors approve Work Order No. 07.06 to MTS Doc. No. L0606.6-02 (Attachment A of the agenda item) for design and construction support services for San Diego Trolley, Inc. Yard security hardening.

Recommended Consent Items

There was no discussion of the recommended Consent Items.

Recommended Board Discussion Items

There was no discussion of the recommended Discussion Items.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

There was no discussion of this item.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee member communications or other business.

G. PUBLIC COMMENTS

There were no public comments.

H. NEXT MEETING DATE:

The next meeting is scheduled for Thursday, March 1, 2007, in the Executive Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 11:42 a.m.

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Chairman

Attachment: A. Roll Call Sheet

gail.williams/minutes