

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

March 16, 2006

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

Mr. Rindone moved approval of the minutes of the March 2, 2006, Executive Committee meeting with one correction to the Roll Call. Mr. Lewis seconded the motion, and the vote was 3 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

2. SDTC: RV Kuhn's Fourth Quarter 2005 Pension Review (FIN 300 , PC 50601)  
*(Taken Out of Order)*

Mr. Cliff Telfer, MTS Interim Chief Financial Officer, referred to the handout at the table that provided more up-to-date information (as of February 28, 2006) than the report distributed as part of the agenda packet. He reviewed the asset allocation and performance for the entire fund and the asset allocation and performance by manager for the San Diego Transit Corporation Employees Retirement Plan. Mr. Telfer reported that the plan increased in value by \$3.4 million over the previous period and paid out \$4.2 million in pension benefits. He also reported that the Plan's return for one year of 10.68 percent exceeds its actuarial target of 8 percent.

Mr. Telfer also reported that two managers, TCW Investment Management and Kayne Anderson, underperformed their respective indexes year to date. He stated that the Pension Committee is concerned about the performance of Kayne Anderson because they have underperformed since inception. He stated that Kayne Anderson has been informed that they are being dropped as a manager, and the Pension Committee will be interviewing potential replacement managers next Tuesday. Mr. Telfer reported that, because of the Plan's recent issuance of Pension Obligation Bonds, the Plan was able to add more managers and was able to add Real Estate Investment Trust (REIT) investments to the Plan, which added a one-year return of 33.65 percent. He added that the Plan's manager, Cohen & Steers, has performed in the top quartile compared to its peer managers. He added that an actuarial report will be provided next month. In response to a question from Mr. Rindone, Mr. Telfer explained that, while Loomis Sayles has not performed well, they have outperformed their index. He stated that the world bond market in general has not performed well.

Mr. Jablonski advised the Committee that many pension plans are making downward adjustments to their actuarial interest-rate assumptions. He reminded Committee members that the Plan's interest-rate assumption has already been reduced from 8.5 percent to 8.0 percent. The Committee briefly discussed the Plan's performance this year compared to last year. Ms. Atkins requested that staff provide peer comparison information for manager fees/costs.

Mr. Jablonski stated that SDTC is expecting to experience an increased number of retirements in the next couple of years as employees reach retirement age. Mr. Telfer reported that SDTC is also now hiring older operators and will not have as much time to build funds to cover retirement for those employees. Mr. Roberts pointed out that the benefit payout for these employees will be lower at the time of retirement. Mr. Telfer advised the Committee that pension benefits are capped at 70 percent, and bus operators reach the top of their wage progression in eight years.

In response to a question from Mr. Lewis, Ms. Spielberg reported that SDTC workers' compensation costs have actually been decreasing due to a number of management strategy factors, and the hiring of older operators is not having a negative impact on that figure.

#### Action Taken

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

1. MTS: Utilization of Grantville Station Excess Property for Alvarado Canyon Road Realignment to Facilitate Increased Public Transit Access (ADM 110, PC 50101)

Mr. Tiffany Lorenzen, MTS General Counsel, provided the Committee with background information on this item. She reviewed the substance of the communications with the Federal Transit Administration (FTA) and the City of San Diego throughout and subsequent to the purchase of excess right-of-way for the Grantville Station Project. In response to a question from Mr. Roberts, Ms. Lorenzen stated that 70 percent of the funding for this purchase was provided by the FTA and 30 percent consisted of local match provided by MTS. She further pointed out that MTS's participation in this project was in connection with the acquisition of the property and not participation in the realignment of Alvarado Canyon Road. She stated that city council member Jim Madaffer has requested that MTS clarify its participation in the project. Ms. Lorenzen stated that she would provide a legal opinion regarding MTS's options during closed session.

In response to a question from Mr. Roberts, Mr. Jablonski reported that if this property were to be sold, the FTA would have a right to 70 percent of the proceeds of the sale. He added that if MTS retains and uses the property, the FTA makes no claim. He stated that there may be changes to those regulations in the near future.

#### Action Taken

No formal action was taken on this item during open session.

D. REVIEW OF DRAFT MARCH 23, 2006 BOARD AGENDA

Recommended Consent Items

6. MTS: Proposed Modifications of MTS Board Policy No. 22 for Election of Chairperson, Replacement of Committee Appointments After a Member Leaves the Board, and Election of Alternate for SANDAG Transportation Committee (ADM 110, PC 50101)

Recommend that the Board of Directors approve the proposed modifications to MTS Board Policy No. 22 (Attachment A of the agenda item) to create a reelection or nomination procedure for future chairperson appointments, provide a procedure for replacement of committee appointments after a member leaves midyear, and allow for the election of an alternate to the San Diego Association of Governments (SANDAG) Transportation Committee.

7. MTS: Transportation Development Act (TDA) Claim Amendment (FIN 340.2, PC 50601)

Recommend that the Board of Directors adopt Resolution No. 06-4 (Attachment A of the agenda item) amending FY 04 TDA Article 4.0, Claim No. 253, for National City Transit.

8. SDTC: Operator Performance Evaluation Services (OPS 960.6)

Recommend that the Board of Directors authorize the Chief Operating Officer – Bus to execute a contract (in substantially the same format as Attachment A of the agenda item) with First Transit, Inc. for operator performance evaluation services (SDTC Doc. No. 05-200) for a 3-year period with two 1-year options, in an amount not to exceed \$174,455, for the 5-year period (base proposal at \$101,012 and option proposal at \$73,443).

9. MTS: Bus Shelter Services – Two-Year Contract Extension (OPS 850.3, PC 50911)

Recommend that the Board of Directors authorize the CEO to approve the sixth amendment to MTS Doc. No. T0068.0-91 (Attachment A of the agenda item) for a two-year extension with CBS Outdoor (formerly Viacom Outdoor). This would extend the current contract until June 30, 2008.

10. MTS: Final Audit Report – SDTI Storeroom (LEG 492, PC 50121)

Recommend that the Board of Directors receive the final audit report on SDTI's storeroom.

11. MTS: Final Audit Report – SDTC Storeroom (LEG 492, PC 50121)

Recommend that the Board of Directors receive the final audit report on SDTC's storeroom.

12. MTS: Transit Bus Maintenance Inspection Services (OPS 920.5, PC 50751)

Recommend that the Board of Directors authorize the CEO to execute a contract amendment with Transit Maintenance Consultants, Inc. (MTS Doc. No. B0326.3-02, Attachment A of the agenda item) for the final one-option term for bus-maintenance inspections.

13. SDTI: Light Rail Vehicle Tire Kits Procurement – Contract Award (OPS 970.6, CIP 11167)

Recommend that the Board of Directors authorize the President-General Manager to execute a Standard Procurement Agreement (MTS Doc. No. L0756.0-06, Attachment A of the agenda item) with Siemens Transportation Systems, Inc. for 228 light rail vehicle tire kits. The total cost of this procurement, including California sales tax and freight, shall not exceed \$348,469.00.

14. MTS: Contract Amendment to Extend and Increase Authorization of Liability Claims Management Services (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to enter into a contract amendment with McDowell Adjusting Company (MTS Doc. No. G0848.2-03, Attachment A of the agenda item) to provide liability claims administration services, supervision, and support of the self-insurance program. The total contract cost would not exceed \$402,000. The term of the contract extension would be for a period of one year with one additional option.

15. MTS: Contract Amendment to Extend and Increase Authorization of Workers' Compensation Claims Management Services (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to enter into a contract amendment with Hazelrigg Risk Management Services, Inc. (MTS Doc. No. G0843.1-03, Attachment A of the agenda item) to provide workers' compensation claims administration services, supervision, and support of the self-insurance program. The total contract cost would not exceed \$372,000. The term of the contract extension would be for one year with one remaining option.

16. MTS: Contract Amendment to Extend and Increase Authorization of Insurance Consultant/Broker Services (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to enter into a contract amendment with John Burnham Insurance Services (MTS Doc. No. G0603.4-01, Attachment A of the agenda item) to provide insurance consultant and broker services. The total contract cost is not to exceed \$47,950. The term of the contract extension would be to June 30, 2006. The contract amendment would continue to include a cancellation clause by MTS upon a written 60-day notice.

17. MTS: Property Insurance Renewal (LEG 491, PC 50633)

Recommend that the Board of Directors authorize the CEO to renew the property insurance coverage for MTS, SDTC, and SDTI with the California State Association of Counties (CSAC) Property Insurance Program, effective March 31, 2006 through March 31, 2007, with a basic coverage deductible of \$25,000, \$100,000 for collision on buses and light rail vehicles, and \$1,500,000 on roads, bridges, and tunnels.

18. MTS: Procurement for FY 04 and FY 05 Audit Services (FIN 320, PC 50601)

Recommend that the Board of Directors authorize the CEO to enter into a contract amendment (MTS. Doc. No. L0750.1-06, Attachment A of the agenda item), with Caporicci & Larson, CPAs, for FY 04 and FY 05 audit services. The amendment would be \$275,000, and the total contract amount would not exceed \$603,500.

19. MTS: Contract Amendment for Legal Services for Mission Valley East (CIP 10426.7)

Recommend that the Board of Directors authorize the CEO to execute Amendment No. 3 (MTS Doc. No. L0647.3-03) with Hecht, Solberg, Robinson, Goldberg, and Bagley, LLP (HSR), in substantially the same form as shown in Attachment A of the agenda item, not to exceed \$745,000, for legal services exclusively for the Mission Valley East (MVE) Light Rail (LRT) Project through December 31, 2006. The Board previously authorized \$560,000 of this amendment in closed session.

20. MTS: Ratification of Liability Settlement (OPS 960.6)

Recommend that the Board of Directors ratify the settlement of \$50,000 in the matter of Gadson v. San Diego Transit (Case No. GIC 843654).

Recommended Consent Items

There was no discussion of the recommended Consent Items.

Recommended Board Discussion Items

Mr. Mathis advised the Committee that the Board will not be taking public testimony on the Comprehensive Operational Analysis (COA) at its March 23, 2006 meeting except for those speakers who completed speaker slips at previous public hearings but were unable to stay long enough to speak. He stated that public comment will be preceded by a complete staff presentation and questions from the Board.

Mr. Roberts requested that staff review each original recommendation for change, any modifications made to that change, and community concerns expressed related to that change. Mr. Jablonski stated that may be difficult to do given the volume of the changes. He stated that staff has closely reviewed the public testimony taken and has identified 12 issues. He stated that those 12 issues will be provided to the Board on a spread sheet along with an indication of how many speakers addressed each issue, and each of these

issues will be reviewed for the Board by staff. Mr. Mathis suggested and the Committee agreed that votes could be taken on separate pieces of the proposal.

Ms. Atkins reported that she would not be able to attend the Board meeting but that she would have someone read into the record her thoughts. She stated that she would be meeting with Mr. Jablonski and Mr. Cheung, MTS Director of Planning and Performance Monitoring, to review her specific concerns. Mr. Rindone commended staff's efforts on this project and added that continuing the hearing has allowed staff to carefully review all of the input that was gathered from the public hearings and develop thoughtful recommendations. Ms. Atkins agreed and stated that she was impressed with the number of staff members present at the hearings and how they responded to the people and the issues. She stated that she was proud of Mr. Cheung and his staff and the incredible job they did of responding to the public. She stated that it was excruciating to hear the stories told by the public at the hearings. Mr. Mathis stated that, once the COA is completed, staff will work with community agencies that are supposed to be meeting the needs of some of the riders who spoke at the hearings. Mr. Lewis pointed out that these agencies receive tax funding for providing transportation services. He also stated that he appreciated staff's professional handling of the public when they stretched the facts in order to make their point. He suggested having regular meetings with the public.

Mr. Rindone stated that the public hearings provided the Board with a better understanding of the need in the community for transit and the need to fight for additional funding. He stated that he would like to see included in staff's presentation where the resources are being taken from to fund the modifications to the original recommendations. Mr. Roberts stated that riders in Mira Mesa have been complimentary of staff's handling of the COA. He felt that riders understand that the MTS Board has an entire system to run, and most of the people feel they are being treated fairly.

Mr. Jablonski stated that it was extraordinarily gratifying to see the Board turnout. He added that MTS's challenge is to meet the needs of riders who have no other transportation options and balance that against starting to serve the identified market of choice riders. He stated that serving the choice-rider market would have a significant impact on traffic congestion in San Diego. Mr. Rindone stated that MTS needs to have a plan to pursue additional funding and not restrict itself to whatever funding SANDAG can provide. He requested that this issue be brought back to the Executive Committee at some point in the future. He stated that local tax support for transit should mirror the level that other cities receive. Ms. Atkins stated that she would like to see SANDAG representatives be present at public hearings so they would have a better understanding of the degree of the need for public transit. Mr. Rindone stated that showcase projects pale compared to this need.

#### E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

Ms. Sharon Cooney, MTS Director of Governmental Affairs and Community Relations, stated that SANDAG staff will be recommending at the March 17, 2006, Transportation Committee meeting that the Committee approve the use of \$2 million out of \$3.6 million of State Transportation Improvement Plan (STIP) Transportation Enhancement (TE) funding for 2006 on a pedestrian/bike bridge over Lake Hodges. She also stated that no policy decision has been made on how the remaining \$1.6 million should be spent. The

Committee agreed that the Transportation Committee should be taking a more active role in determining how funding is allocated. Mr. Mathis felt that priority should be given to transit needs. Mr. Emery pointed out that MTS should also take an active role in recommending how additional funding is allocated. Mr. Jablonski pointed out that many projects would qualify for TE funding, including wheelchair lifts on U2 trolley cars, and that there needs to be a decision made at the Transportation Committee on a policy level regarding how dollars are being spent.

Ms. Cooney pointed out that the bike and pedestrian bridge is not on the current list of projects for which funding is needed. She stated that a competitive process could be requested for determining how these funds would be used or a recommendation could be made to use the existing list of projects. Ms. Atkins requested a copy of that list. Mr. Rindone suggested that every other Transportation Committee meeting be designated as a workshop to discuss policy matters to ensure that the Transportation Committee has input prior to the development of staff recommendations. Ms. Cooney offered to provide Committee members with the criteria California uses to identify projects that qualify for TE funding.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

*Placement of Public Comments on Executive Committee Agendas:* Mr. Lewis questioned the placement of Public Comments at the end of the Executive Committee agenda when Public Comments are at the beginning part of the agenda for Board meetings. Mr. Mathis explained that the few members of the public who attend Executive Committee meetings prefer to stay for the entire meeting. He stated that would grant requests from the public to speak at the beginning of the meeting if any are made.

G. PUBLIC COMMENTS

There were no public comments.

C. COMMITTEE DISCUSSION ITEMS *(Continued)*  
*(Taken Out of Order)*

The Committee convened to Closed Session at 10:12 a.m. to discuss the following item:  
(The City of San Diego representative was not present for this item.)

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

The Board reconvened to Open Session at 11:16 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Lorenzen reported the following action taken in Closed Session: The Executive Committee received a report from staff and gave direction to staff.

H. NEXT MEETING DATE:

The next meeting is scheduled for Thursday, April 6, 2006, in the Executive Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 11:17 a.m.

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Chairman

Attachment: A. Roll Call Sheet  
gailwilliams/minutes