

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

April 5, 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 March 1, 2007, Executive Committee meeting. Mr. Rindone seconded the motion, and the vote was 4 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. MTS: C Street Master Plan Update (ADM 124, PC 50451)

Mr. Brandon Farley, MTS Senior Transportation Planner, provided the Committee with an overview of recent discussions regarding the C Street Master Plan. He reported that staff was recently involved in a meeting with the Centre City Development Corporation's (CCDC) C Street Master Plan Technical Advisory Committee, during which the concept of a Downtown Loop was introduced by the Downtown San Diego Partnership. Mr. Farley presented the flaws of the loop proposal, which included that extra transfers would be required for 43,000 trips all day. He projected that MTS would experience a 20 to 25 percent loss of ridership using the transit industry's standard for evaluating the impact of forced transfers. He then reviewed the four different C Street options detailed in his Power Point presentation. MTS CEO Paul Jablonski pointed out that Option 1 is the best option. He added that Option 1 has a through travel lane on C Street that everyone has been advocating for, retains crosswalks, and accommodates three-car S70 consists. Mr. Farley pointed out that Option 1 does cause the loss of a travel lane on both 6th and 7th, reducing those two streets to two travel lanes. Mr. Roberts pointed out that 1st is one of downtown's busiest streets and consists of only two travel lanes. Mr. Jablonski confirmed for Mr. Roberts that an S70 three-car consist would not block either 6th or 7th Avenues under this option.

Mr. Jablonski pointed out that including a travel lane on C Street is what caused the high traffic projections for 2030 on 6th and 7th. Mr. Farley added that the C-Street travel lane is projected to cause an increase in traffic on 6th and 7th of 100 to 200 cars per hour. Mr. Roberts requested that staff provide total statistics on this issue. Mr. Jablonski pointed out that, if the City were not so committed to having

crosswalks in this area, one travel lane could be added back into the plan for either 6th or 7th. Chairman Mathis pointed out that the narrowing of 6th and 7th does provide some additional on-street parking in this area.

Mr. Ewin referred to the loop proposal and the flaws identified by staff and suggested that “may increase operating costs” be changed to “will increase operating costs,” if increased operating costs is a certainty. Chairman Mathis advised the Committee that the Mayor’s office has asked for a study of the loop proposal. Mr. Jablonski pointed out that a loop route downtown would cause crossing gates to be closed about 40 minutes out of every hour.

Mr. Jablonski referred to Option 4, in which the trolley spans 7th, and pointed out that 7th would still have to be reduced to two travel lanes. He stated that this is necessary because any trolley door with a ramp has to deploy to a curb, and that cannot be done unless 7th is reduced to two lanes at C Street. Mr. Jablonski requested that staff modify the pictures in future presentations to display four-car consists in this option.

Mr. Farley then reviewed staff’s recommendations regarding this matter.

Public Comment *Clive Richard*: Mr. Richard distributed a Crime Map of the downtown area and pointed out that crime in the downtown area, which the Downtown Partnership attributed to the presence of the trolley, primarily consists of Drunk in Public and Narcotics crimes. Mr. Richard also pointed out that crime rates downtown are actually higher closer to Horton Plaza than C Street. He then distributed a map that shows that there are about 5,000 car trips per day downtown, and this is a relatively small number. He expressed his support for Option 1.

Chairman Mathis pointed out that downtown crime is an enforcement issue.

Public Comment *Duncan McFetridge and Jana Clark, Save Our Forest and Ranchlands*: Mr. McFetridge stated that transit, in any downtown center, is a necessary ingredient in making that center work. He stated that any action regarding C Street is premature until completion of the Independent Transit Planning Review being conducted by SANDAG. He added that the Complete Downtown Community Transportation Plan prepared by Smart Mobility, Inc. should also be a part of these discussions. He passed out copies of each of these reports to Committee members and pointed out that this study presents a complete downtown transit plan, not just a narrow community interest in one street. He spoke against allowing cars to travel on a transit- and pedestrian-oriented street. He stated that the proposed C Street project has a narrow focus on auto-based activity.

Chairman Mathis advised Mr. McFetridge that MTS is simply responding to plans being brought forward by CCDC and the Downtown Partnership, and that his message should be conveyed to those two organizations.

Ms. Atkins expressed her dismay over the way this matter is being handled by the Downtown Partnership and specifically referenced the recent article in the newspaper about this matter. She stated that this is not the way to resolve problems and added that MTS should not engage with the Partnership in this manner. She referred to staff's recommendation (item no. 4) on this item and stated that an underground option would be very costly. She added that it was irresponsible for downtown agencies to use funding to study this option. She added that she doubted a regional commitment could be gained for such an option. She suggested that MTS remain committed to the most practical plan. Ms. Atkins also stated that MTS could use Mr. McFetridge's help in increasing the focus on transit in San Diego. She also stated that when this item is presented to the San Diego City Council she will make sure that MTS has an opportunity to make a presentation at that time.

Mr. Roberts thanked Ms. Atkins for her comments and said that he appreciated her position as a city councilmember on this matter. He felt that C Street has not thrived because of the pedestrian mall concept that was implemented there – a concept that has been abandoned by most other cities. He stated that the Trolley is not the cause of problems on C Street. He stated that MTS should work with CCDC and the Downtown Partnership to the point there is no detriment to MTS. He spoke against tunnels except in the long term, possibly in conjunction with heavy rail through downtown. Mr. Roberts advised the Board that he has talked with Barbara Warden, who coauthored the article being discussed, and discovered that she had the mistaken impression that there was still a strong position to close 6th, 7th, or 8th Avenues. He told Ms. Warden that MTS is willing to work with them to make improvements in this area without closing streets. He reported that he also told Ms. Warden that MTS will eventually need four-car consists and, at that point in time, may need to block intersections. He pointed out that, even at that point, it won't come anywhere near the inconvenience experienced by motorists trying to cross the tracks on Ash Street.

Mr. Roberts pointed out that CCDC will need to modify its environmental impact report if a plan is approved that has a negative impact on transit. He stated that downtown is a regional asset that won't thrive without transit. He stated that MTS should stay focused on helping CCDC and the Downtown Partnership make C Street a better transit corridor and a better place for pedestrians and businesses.

Mr. Jablonski requested direction from the Board regarding the degree to which MTS should be engaged in discussions regarding a downtown transit loop. He advised the Committee that staff has developed factual information about the impact of the proposed loop. Ms. Atkins suggested that MTS offer its information but not become engaged in the process. Mr. Ewin suggested that this information be provided to both CCDC and the City of San Diego.

Mr. Ewin requested that staff keep Committee members informed regarding the Independent Transit Planning Review and the Complete Downtown Community Transportation Plan. Mr. Jablonski stated that staff would provide the requested updates as well as how the information in the studies interfaces with the C Street project.

Mr. Emery suggested that item no. 4 regarding an underground tunnel be dropped from staff's recommendation. Mr. Emery and Mr. Rindone suggested a slight change of the wording in item no. 2 of the recommendation.

Action Taken

Ms. Atkins moved to forward to the Board (1) support of Design Concept 1, Minimum Dimension and Variance Concept, and forward same to CCDC; (2) support for the assumption that four-car trains will eventually be necessary to serve downtown; (3) information concerning the Downtown San Diego Partnership's loop proposal; and (4) direct staff to provide factual transit-related information regarding the downtown loop proposal to CCDC and the City of San Diego. Mr. Rindone seconded the motion, and the vote was 5 to 0 in favor.

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

Mr. Cliff Telfer, MTS Chief Financial Officer, introduced this item and reminded Committee members of the Board meeting discussion during which it was decided that the Board should have more oversight over the audit function. Mr. Telfer pointed out that MTS is not required to follow the Sarbanes-Oxley Act of 2002 because this Act applies only to the private sector.

Mr. Telfer then introduced Mr. Gary Caporicci, Sr. Partner of Caporicci & Larson, and Ken Kuhn, Manager of Caporicci's San Diego office. Mr. Caporicci reviewed the scope of the audits performed for MTS. He also reviewed the role of audit committees as defined by the Government Finance Offices Association (GFOA). He pointed out that they recommend that members of an audit committee possess or obtain a basic understanding of governmental financial report and auditing. He then reviewed a summary of proposed audit committee functions as outlined in letters from two legal sources, copies of which were attached to the agenda item. As he reviewed these audit functions, he reported that MTS's most recent audit was performed in accordance with generally accepted auditing standards and generally accepted government-auditing standards, the audit was performed independently, new and changed accounting principles were reviewed with MTS staff during special training sessions, the auditor encountered no difficulties in dealing with management staff, auditors described any significant accounting adjustments, and there were no materials weaknesses identified. Mr. Caporicci also stated that staff did an excellent job of preparing MTS's financial statements. Mr. Caporicci advised the Committee that his firm holds annual client training sessions, and MTS's Chief Financial Officer and Controller attended the last session. He proposed that the audit committee meet with the auditors four times per year and reviewed the recommended schedule.

Mr. Ewin stressed the importance of having audit committee members who have the knowledge and experience to carry out this function. Mr. Caporicci stated that they have two clients who dropped their plans for forming an audit committee specifically because of their concern about this requirement. He further advised the committee that MTS is converting its financial statements to a format used by the

private sector. He stated that this Enterprise approach is more understandable and useful.

Chairman Mathis asked if having an audit committee increases the level of exposure to liability on an individual level. Mr. Tiffany Lorenzen, MTS General Counsel, stated that the audit committee would be required to act with due diligence and follow prescribed standards. She stated that there may be individual liability. She added that a consultant could be brought in to assist with committee member understanding of the topics being discussed, and that the most critical factor is that the committee follow the structure it establishes for the audit oversight process.

Ms. Atkins expressed concern about the requirement for financial expertise on the committee. Staff provided the following information in response to Ms. Atkins' questions: MTS has an internal auditor whose role it is to audit internal operational processes; staff members under the CFO prepare MTS financial statements; the internal auditor does not audit financial statements; the internal auditor reports to the General Counsel and both have a direct reporting relationship to the Board; the General Counsel and internal auditor are required to report anything of concern directly to the Board and can meet privately with the Board; the Board may ask other staff members to leave the room during these discussions; Board members who have questions about the General Counsel can meet with the CEO; and General Counsel has five years of experience with MTS and attends annual training session that, in part, address financial and auditing matters.

Ms. Lorenzen stated that, even though MTS is not required to meet the requirements of Sarbanes-Oxley, it is a good idea to do so. Ms. Atkins stated that there are indications that the Securities Exchange Commission may be doing more inspections of public agencies in light of the current political climate surrounding these types of matters. She added that it is important to ensure that MTS legal counsel gets additional experience and needs to have a role in this process.

Ms. Lorenzen told Ms. Atkins that MTS has been advised by outside legal counsel that it should have a whistleblower policy. She stated that MTS does have some protections for employees who come forward. Mr. Caporicci added that the GOFA, which receives MTS's Comprehensive Annual Financial Report (CAFR), sends it to three independent entities that subject the report to a 50-page checklist of items. He stated that Caporicci and Larson also have third-party outside contractors that review its audit work.

Ms. Atkins suggested that, if the audit committee were to need outside assistance, it may be possible to ask someone from the community to provide this service free of charge. She stated that she would not feel comfortable serving on an audit committee unless the committee had the ability to bring in someone with additional financial expertise. She stated her support of taking this proactive approach and commended Mr. Jablonski and Ms. Lorenzen for looking into this matter.

Chairman Mathis pointed out that you can have a chain of checks and balances, but, at some point, you have to accept what your financial and legal experts are

telling you. Mr. Ewin felt that an audit committee should have a specified structure/process, follow that structure, and then pass the resulting information to the Board. Mr. Rindone added that there should be a written record of the questions asked and the answers given. Mr. Rindone agreed that the audit committee should have access to an outside consultant, and this consultant should be able to identify issues and point them out to the audit committee. He stated that it should be clearly stated that having an audit committee does not negate the ultimate responsibility of the full Board.

Mr. Emery stated that he would like to have someone sit in on audit committee meetings who can provide needed financial expertise but that a consultant level may not be needed, especially given that Mr. Ewin has financial expertise and experience.

Mr. Jablonski pointed out that he signs off on the audit and stated the Committee should not be overly cautious. He reported that he felt it was a step in the right direction to simply create a process by which the external auditor truly acts independently and can meet independently with the Board and the audit committee. Mr. Jablonski then reviewed the various audits that MTS is subject to, including those done by the Federal Transit Administration and for Transportation Development Act purposes. He stated that, in addition, MTS reports to the National Transit Database. He pointed out that MTS has a very complicated financial structure because there are three companies involved.

Mr. Mathis pointed out that the audit committee and the board do not approve but simply receive the audit.

Public Comment

Clive Richard: Mr. Richard felt that the entire Board should serve as the audit committee.

Action Taken

Mr. Ewin moved to (1) receive recommendations from Caporicci and Larson regarding the independent audit process, including the role of Board members in the process; (2) forward a recommendation to the Board of Directors to authorize the Executive Committee to act as the Audit Oversight Committee; (3) develop a structure, including responsibilities and how tasks would be addressed, for this Committee; and (4) give the Audit Oversight Committee the authority to bring in an outside party, paid or unpaid, to provide additional expertise as needed. Ms. Atkins seconded the motion, and the vote was 4 to 0 in favor.

D. REVIEW OF DRAFT APRIL 12, 2007 BOARD AGENDA

The draft agenda reflects that the Finance Workshop will start at 8:00 a.m. It was pointed out that that has been changed to 9:00 a.m.

Recommended Consent Items

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

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

7. MTS: Batteries for Automobiles and Buses – Contract Award (OPS 960.6, PC 50312)

Recommend that the Board of Directors authorize the CEO to award a contract to Broding's Battery Warehouse, Inc. (MTS Doc. No. B0481.0-07, in substantially the same form as Attachment A of the agenda item) for procurement of automotive and bus batteries.

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

Ms. Sharon Cooney, Director of Governmental Affairs and Community Relations, reported that there is an agenda item on the Transportation Committee agenda that involves unifying how SANDAG, North County Transit, and MTS evaluate transit performance. She pointed out that it appears from this agenda item that North County Transit operating costs have increased while MTS's have not. She stated that the Comprehensive Operational Analysis should have an additional positive effect on MTS performance measures. Ms. Cooney advised the Committee that the figures presented in the agenda item will be used as baseline reference points.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no committee member communications or other business.

G. PUBLIC COMMENTS

Clive Richard: Mr. Richard declined to speak.

Margo Tanguay: Ms. Tanguay provided the Committee with some historical information on downtown San Diego. She reported that property values have increased, not decreased as was alleged in the recent article about C Street. She stated that difficulties in the downtown area are the result of attitude.

H. NEXT MEETING DATE:

The next meeting is scheduled for Thursday, April 19, 2007, in the Executive Conference Room. Chairman Mathis reported that, unless something additional arises, the April 19,

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Executive Committee meeting will most likely be cancelled. He stated that the April 26, 2007, Board meeting will consist of an Administrative Hearing regarding the taxicab request for proposals.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 11:10 a.m.

Chairman

Attachment: A. Roll Call Sheet

[gail.williams/minutes](#)