

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

May 17, 2007

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

Chairman Mathis called the meeting to order at 9:01 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Ewin moved approval of the minutes of the May 3, 2007, Executive Committee meeting. Mr. Roberts seconded the motion, and the vote was 3 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

Chairman Mathis welcomed Mr. Ben Hueso, San Diego City Councilmember and alternate for Ms. Toni Atkins, who was unable to attend the meeting.

1. MTS: Audit Oversight Committee (ADM 110.7, PC 50101)

Chairman Mathis introduced Mr. Gary Caporicci, of Caporicci & Larson, and Mr. Ken Kuhn, Manager of Caporicci's San Diego office. Mr. Cliff Telfer, MTS Chief Financial Officer, reported that recommendations had been developed for the formation of and process to be used by the Audit Oversight Committee and are outlined in the two documents that were placed on the table for each Committee member. He stated that the first document was a revision of MTS Policy No. 22, Rules of Procedure for the MTS. He added that the second document, Draft Policies and Procedures, was developed with Mr. Ewin's input and provided the guidelines for the revisions that were made to Policy No. 22. He reviewed elements of these documents including the guidelines for member compensation for meeting participation, differentiation from the Executive Committee, goals, and basic tasks. He stated that the remainder of the draft provides a sampling of minimum questions that should be asked during the oversight process.

Mr. Ewin advised Committee members that there had been much discussion regarding this matter and that staff was able to translate that into the documents being presented. He stated that the guidelines are very workable. Chairman Mathis complimented staff on a job well done and thanked Mr. Ewin for his involvement.

Action Taken

Mr. Roberts moved to forward a recommendation to the Board of Directors to create an Audit Oversight Committee and establish the guidelines and responsibilities in Board Policy No. 22 (Attachment A of the agenda item). Mr. Ewin seconded the motion, and the vote was 4 to 0 in favor.

2. MTS: Management Letter – FY 2006 Audit (FIN 320, PC 50601)

Mr. Telfer reported that, at the end of an audit, the auditing firm comes back to the organization with recommendations for changes in the form of a management letter. He stated that Caporicci and Larson's management letter for the FY 2006 audit outlines four recommendations.

Mr. Caporicci reviewed the four recommendations as outlined in the agenda item. It was reported that recommendation 1, to develop an accounting manual, has been completed. It was also reported that recommendation 2, to develop a fraud policy, had been completed and was on the General Counsel's desk for review. Mr. Telfer reported that MTS's fraud policy includes the implementation of a hot line for reporting suspicious activities. MTS Internal Auditor Mr. Mark Abbey, who will be involved in the administration of the fraud policy, reported that many transit properties are establishing hot lines. It was reported that information regarding MTS's hot line would be provided on both the MTS intranet and on its Web site. In response to a question from Chairman Mathis, Mr. Abbey reported that confidentiality will be protected. Mr. Caporicci reported that the FY 2005 management letter was more substantial and all the recommendations made in that letter have been addressed.

In response to a question from Mr. Ewin, Mr. Telfer reported that the difficulties in getting written confirmations from financial institutions resulted from out-of-date contact information. Mr. Tom Lynch, MTS Controller, reported that contact information is up to date on more current contracts.

Action Taken

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

D. REVIEW OF DRAFT MAY 10, 2007 BOARD AGENDA

Recommended Consent Items

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

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

Recommended Consent Items

There was no discussion of the recommended Consent Item.

Recommended Board Discussion Items

There was no discussion of the recommended Discussion Item.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

Ms. Sharon Cooney, Director of Governmental Affairs and Community Relations, reported that the transit operating budgets will be presented at the SANDAG Transportation Committee meeting on May 18, 2007, and another presentation will be given in June. She added that Mr. Paul Jablonski, MTS CEO, will be giving the presentation on MTS's budget.

Mr. Jablonski reported that MTS was just notified by SANDAG that the latest state projections, which fund both the Transportation Development Act (TDA) and TransNet, were substantially overstated. Mr. Jablonski advised Committee members that they will have an opportunity to ask questions about this matter at the May 18, 2007, SANDAG Transportation Committee meeting and provided members with information on how this will impact MTS's budget. He reported that MTS's FY 2007 budget will have a revenue shortage of approximately \$1.1 million in TransNet dollars, and there will be deficits of \$4.4 million and \$1.5 million in TDA and TransNet, respectively, in the FY 2008 budget. He stated that this surprise has caused MTS to reevaluate how it participates in the development of these projections and the monitoring of the inflow of revenues. Mr. Jablonski added that a potential increase in State Transit Assistance (STA) revenues may help to offset a portion of this deficit, potentially \$1 million. He also reported that there are funding uncertainties connected with the Governor's budget as well.

Mr. Jablonski reviewed efforts that have been made to address this deficit, all of which consist of utilizing nonrecurring revenues that MTS would have applied to its capital program. He suggested that these options be pursued as a temporary measure with the understanding that staff would come back to the Board sometime during the summer with a more permanent plan for matching revenues with expenses. Mr. Rindone stated that using nonrecurring revenues should not be a common practice but that it is appropriate in this particular circumstance. In response from questions from Mr. Roberts, Mr. Jablonski explained that TDA funding was projected at \$82.4 million and is now projected at \$78.0 million, and TransNet funding was projected at \$20 million and is now projected at \$18.5 million.

Mr. Roberts stated that when funding fails to track with projections, that fact should be reported in a more timely fashion. Mr. Ewin requested that the details of the deficit and proposed actions be provided to the Board in advance of its next meeting.

Ms. Cooney reported that the Aviation Whitepaper is also on the Transportation Committee's agenda. Mr. Cheung reported that this paper is being prepared in conjunction with the Regional Transportation Plan and is SANDAG's opinion on the airport expansion plan.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

Chairman Mathis reminded Committee members that there is a Finance Workshop before the Board meeting on May 24, 2007. He reported that the workshop will start at 8:15 a.m. and be followed directly after by the Board meeting. He also reminded the Committee that

the Coca-Cola scholarships would be presented that day. He added that arrangements for the group photo of Board members and scholarship winners for that day will have to be changed.

G. PUBLIC COMMENTS

Don Stillwell: Mr. Stillwell reported that people are having problems with wheelchair ramps on the trolley. He reported that if a regular boarding occurs before the lift boarding, the lift will not deploy. He also reported that a No. 18 bus stop is needed on Ward Road close to the Mission trolley stop. He reported that buses are still not making effective connections with the Green Line. He asked why the no-smoking ordinance had not yet been implemented. He stated that the 300-series trolley cars are too cold.

Mr. Peter Tereschuck, SDTI General Manager, reported that once a regular boarding has been completed and the doors close, the button for a lift boarding can be pressed and the lift will deploy. Mr. Jablonski reported that an event will be held on May 31 to announce the implementation of the no-smoking ordinance. In response to a question from Mr. Mathis, Mr. Jablonski stated that he didn't know if information on the program was posted to MTS's Web site but stated that it should be. He added that Board members will be notified shortly regarding the event on May 31. Mr. Tereschuck stated that Take Ones regarding the program will also be issued.

H. NEXT MEETING DATE:

The next meeting is scheduled for Thursday, June 7, 2007, in the Executive Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 9:50 a.m.

Chairman

Attachment: A. Roll Call Sheet

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