

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

May 18, 2006

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. Chairman Mathis reported that Ms. Atkins was attending a funeral for a fallen officer and could therefore not attend the Executive Committee meeting.

B. APPROVAL OF MINUTES

Mr. Roberts moved approval of the minutes of the April 20, 2006, Executive Committee meeting. Ms. Hanson-Cox seconded the motion, and the vote was 3 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. MTS: I-15 Fixed-Route Commuter Bus Issues (OPS 920.5, PC 30103)

Chairman Mathis stated that this item was being presented in response to concerns expressed by Mr. Roberts at a previous meeting regarding buses with out-of-state registrations. Mr. Roberts added that he was specifically concerned that contractors were operating out-of-state buses in California to avoid California registration and air quality regulations. Ms. Susan Hafner, Director of Multimodal Operations, reported that these commuter buses are owned by Coach USA and are operating with Wyoming apportioned plates, meaning that they pay by the mile to the state in which they are operating. She added that the newly issued Request for Proposal (RFP) for fixed-route bus service states that only California-licensed vehicles can be used to provide the I-15 fixed-route commuter bus service. She added that, as a result, each individual bus will have to meet CARB standards. She added that the RFP also specifies that the contractor shall utilize the latest diesel particulate emission technology in order to reduce emissions. Ms. Hafner reported that the fleet average for the fleet MTS currently operates meets California Air Resources Board (CARB) standards. She added that the operators responding to the RFP are proposing to use new vehicles, which will improve the fleet average. In response to a question from Ms. Hanson-Cox, Ms. Hafner stated that using out-of-state apportioned licenses at one time yielded a small cost savings, but not any longer. In response to another question from Ms. Hanson-Cox, Ms. Hafner stated that quality proposals have been received from a number of national firms. The Committee agreed over-the-road coaches should be used for the I-15 corridor

because they provide the desired customer amenities. Mr. Roberts stated that he had no problem with clean-diesel-powered engines.

Mr. Paul Jablonski, MTS Chief Executive Officer (CEO), reported that the new contract will expire at about the same time that Bus Rapid Transit (BRT) service is started in the I-15 corridor. He stated that a number of new types of vehicles may be available by then. In response to a question from Mr. Rindone, Ms. Hafner stated that the contractor's fleet of over-the-road coaches will be dedicated to the I-15 service but will consist of various sizes that can be rotated as needed in order to meet demand. Mr. Jablonski stated that MTS will probably opt for the larger capacity buses.

Action Taken

Mr. Rindone moved to receive this report. Mr. Roberts seconded the motion, and the vote was 4 to 0 in favor.

2. MTS: Update on the Status of the Grossmont Trolley Station Joint Development Project (LEG 460, PC 50787)

Ms. Tiffany Lorenzen, MTS General Counsel, provided the Committee with an update on the status of the Grossmont Trolley Station Joint Development Project. Ms. Lorenzen advised the Committee that the last three issues were resolved during the last conference call with the lenders for this project. She added that MTS outside counsel is in the process of finalizing the Disposition and Development Agreement (DDA) and the Ground Lease. She stated that these documents will be provided to the Board as part of the agenda packet for the May 25, 2006, Board meeting or will be couriered to the Board on the Monday prior to the meeting. She added that, once the DDA is approved by the Board, she will execute it and proceed to open escrow. She estimated it would be a 60-day escrow. She added that she would then begin finalizing the other documents involved in the project. Mr. Jablonski stated that there were a lot of people involved in this project, and that Fairfield had 44 issues and J. P. Morgan had 30 issues. He added that Fairfield then submitted more than 30 additional issues. He stated that a significant amount of time was spent resolving all of these issues to everyone's satisfaction. Ms. Hanson-Cox reported that she missed the April 20, 2006, Executive Committee and thanked staff for providing good minutes of the discussion pertaining to this project. In response to a question from Mr. Roberts, Ms. Lorenzen estimated that escrow would close at the end of July. She added that off-site utility work is scheduled to begin June 11, 2006.

Mr. Roberts suggested that MTS consider promotional opportunities in connection with this project. He also stated that the negotiations were handled very professionally and complimented staff, specifically recognizing Ms. Lorenzen. He added that this project will help to provide more transit service for more people and is a good way to use MTS assets. Mr. Rindone stated that this project starts to address a major goal of the MTS organization in developing transit destination locations and funding opportunities. He also felt that projects of this nature will generate ridership and provide transit opportunities to the public. Mr. Jablonski pointed out that this project also provides housing opportunities. Mr. Rindone then congratulated the Herculean efforts of staff. In response to a question from Mr.

Roberts, Ms. Lorenzen estimated the net present value for this project at \$20 million. Mr. Jablonski stated that staff would consider having a groundbreaking ceremony for this project. Mr. Roberts requested that the Committee be kept informed if there are any design changes to the project.

Ms. Lorenzen also advised the Committee that, next month, staff will be bringing to the Board a list of proposed development sites for the next five to ten years. She added that MTS gets frequent calls from developers regarding its land. Mr. Mathis stated that it is encouraging that developers are expressing this level of interest. He felt it showed a growing awareness on the part of the development community of the value of the trolley.

Mr. Jablonski stated that future developments, such as Mid-Coast, will be designed and engineered by SANDAG. He stated that a policy decision will need to be made regarding the distribution of revenues generated by such projects. Mr. Rindone stated that there will be additional reviews on the success of SB 1703 (consolidation) and consideration should be given to bringing this issue up during the next review that is conducted.

Action Taken

Mr. Roberts moved to receive an update from General Counsel regarding the status of the Grossmont Trolley Station Joint Development Project. Mr. Rindone seconded the motion, and the vote was 4 to 0 in favor.

3. MTS: Employee Suggestion Award Program (ADM 150.3, PC 50711)

Mr. Cliff Telfer, MTS Interim Chief Financial Officer, provided the Committee with an overview of staff's recommendation for this program. He reviewed employee eligibility, suggestion eligibility, procedures to be followed by the submitting employee, procedures followed by the Suggestion Award Committee, appeals process, types of awards (tangible, intangible, productivity), and how the awards would be funded (from the respective savings of the department for which the suggestion was targeted).

Ms. Hanson-Cox expressed her support of the recommended program. She stated that such programs give employees a sense they are part of the "bigger picture." In response to a question from Ms. Hanson-Cox, Mr. Telfer responded that it will depend on the type of award, but most awards will be given at the end of the year after the savings have been realized. Mr. Roberts also expressed support of the recommended program and added that the County of San Diego has a ceremony to make awards on a quarterly basis. He stated that employees who get awards start looking even harder for ways to save money. He felt awards should be made more often than annually. Ms. Hanson-Cox and Mr. Rindone agreed. Mr. Jablonski stated that staff's recommendation simply provides the framework for the program, and there are many administrative details to be worked out. He agreed that awards should be made more frequently.

Public Comment

Clive Richard: Mr. Richard expressed his support of the recommended program and made a remark about the wording of the statement on page 3 of the agenda item. He referred to the statement that the award calculation for a tangible savings award would be based on ten percent of the first \$50,000 in savings with a maximum potential award of \$5,000. Mr. Telfer stated this is just a clarification.

Action Taken

Mr. Rindone moved to forward a recommendation to the Board of Directors to authorize the CEO to implement an Employee Suggestion Award Program agency wide. Ms. Hanson-Cox seconded the motion, and the vote was 4 to 0 in favor.

D. REVIEW OF DRAFT MAY 25, 2006 BOARD AGENDA

Recommended Consent Items

6. MTS: Disadvantaged Business Enterprise Semiannual Report (LEG 430, PC 50121)

Recommend that the Board of Directors receive the semiannual Fiscal Year 2006 Disadvantaged Business Enterprise Reports for Federal Highway Administration (FHWA)- and Federal Transit Administration (FTA)-assisted contracts (Attachment A of the agenda item).

Recommended Consent Items

There was no discussion of the recommended Consent Item.

Recommended Board Discussion Items

There was no discussion of the recommended Discussion Items.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

MTS FY 2007 Operations Budget: Chairman Mathis advised the Committee that Mr. Jablonski would be presenting MTS's budget at the SANDAG Transportation Committee meeting on May 19, 2006. He stated that, in front of each Board member, was a copy of Mr. Jablonski's Power Point presentation on that topic. Ms. Sharon Cooney, Director of Governmental Affairs and Community Relations, stated that the Transportation Committee is authorized to approve the budget and wants an opportunity to make comments prior to MTS Board approval. She stated that the main conclusions that will be presented will be as follows: 1) in spite of the impact of energy cost increases, MTS will not be using reserves to balance the budget and is decreasing its use of nonrecurring revenues; (2) MTS costs and operating statistics compare well with other transit agencies (referred to page 10 of the handout showing comparative data); and (3) fare restructuring was not necessary in order to balance the budget.

Mr. Jablonski stated that, during his presentation, he will discuss energy costs in detail, the budget impact of the Comprehensive Operational Analysis (COA) for FY 2007, and the continued underfunding of the MTS capital program, even though MTS has plans to shift

excess revenues into the Capital Improvement Program (CIP). He briefly discussed the fact that the core operating budget is only increasing by 4.1 percent and the overall budget by 6.7 percent due to the bond payment. He stated that the last payment on the bonds for the farebox and communication systems will be made in FY 2007. He reported that he did a practice run of his presentation with SANDAG executive staff, and they were happy to see his Power Point presentation. He stated that they asked if MTS was considering a fare increase and also asked questions about MTS reserves. He advised them that MTS reserves are on the low side and should be at least \$25 million.

He also stated that there have been discussions about how the funding from the Governor's bond initiative, if passed, could be effectively used. In response to a question from Mr. Emery, Mr. Jablonski stated that North County Transit's budget is financially stable at this point, but may not remain so once the Sprinter project is opened. He anticipated that North County Transit would have an operating budget problem at that point in time and that they would have a succession of fare increases. Ms. Cooney stated that North County Transit had more of a challenge than MTS in absorbing increases in energy costs.

Mr. Rindone asked a question about the timeline for the conversion of Blue Line trolley stations to accommodate low-floor vehicles and the expansion of the low-floor fleet of trolley cars. Mr. Jablonski stated that these changes will only occur if there are changes made to the Early Action Projects as currently identified. Ms. Cooney stated that Mr. Gary Gallegos, SANDAG Executive Director, is open to exploring changes in the current funding allocations if the bond initiative is passed. She added that reexamining the Early Action Project decisions should be a policy decision generated at the SANDAG Transportation Committee/Board level. Mr. Rindone stated that his question about the Blue Line stations and trolley cars should be raised at the Transportation Committee meeting tomorrow. Mr. Jablonski stated that it will definitely be addressed in a couple of months when MTS presents its five-year capital program.

Mr. Jablonski stated that he would bring a report to the Committee on potential uses for funds generated through the bond initiative and other funding measures currently under consideration by Congress in Washington, D.C. He stated that this report will provide the background for the policy issues. He also assured the Committee that Ms. Cooney is monitoring all legislative funding action very closely. Mr. Roberts stated that MTS should be exploring the possibility of purchasing alternate-fuel buses. Mr. Jablonski stated that MTS staff is already looking into gas hybrids. He stated that the only obstacle to this approach would be installing underground gasoline tanks. He stated that MTS has chosen the CNG path and is therefore restricted under CARB regulations from considering diesel hybrids. He advised the Committee that staff is studying other aspects of alternative-fuel vehicles, such as vehicle life, maintenance requirements, etc. He reported that early experience with gas hybrids has been good. It was also reported that there have been conflicting reports on some elements such as fuel usage, cost savings, etc.

Ms. Hanson-Cox moved to receive this report. Mr. Rindone seconded the motion, and the vote was 4 to 0 in favor.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

Governor's Press Conference: Mr. Jablonski reported that Governor Arnold Schwarzenegger has called a press conference for this morning at 11:30 a.m. and will be

making statements regarding Proposition 1a, which creates protections for Proposition 42 funds, and 1b, the transportation bond initiative. He stated that MTS does not have a speaking role but will be there to show support for the measures. Mr. Jablonski recognized Ms. Cooney for her role in educating the legislators.

Repainting of Trolley Cars: Mr. Rindone requested that staff report back to the Committee on the repainting of trolley cars. Mr. Peter Tereschuck, SDTI President-General Manager, reported that 58 have been repainted and 13 remain.

San Diego Taxpayers Association Award: Mr. Jablonski reported that MTS received an award for its COA from the San Diego Taxpayers Association under their Golden Watchdog Award Program.

G. PUBLIC COMMENTS

Clive Richard: Mr. Richard stated that there was an incident recently that demonstrated how important it is for departments within an organization to communicate with each other. He stated that MTS staff is already aware of the problem that was created by this lack of communication. He also complimented Mr. Jablonski's letter to the editor about the Transit Television Network.

Don Stillwell: Mr. Stillwell reported that, under the COA, there will be buses on 15-minute frequencies connecting with buses on 30-minute frequencies. Chairman Mathis stated that this is situation exists on any transit system. Mr. Stillwell requested copies of route maps for those routes with service changes effective June 1, 2006. Mr. Conan Cheung, Director of Planning and Performance Monitoring, offered to provide those maps.

H. NEXT MEETING DATE:

The next meeting is scheduled for Thursday, June 1, 2006, in the Executive Conference Room.

I. ADJOURNMENT

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

Chairman

Attachment: A. Roll Call Sheet
gailwilliams/minutes