

JOINT MEETING OF THE BOARD OF DIRECTORS FOR THE
METROPOLITAN TRANSIT SYSTEM,
SAN DIEGO TRANSIT CORPORATION,
AND SAN DIEGO TROLLEY, INC.

July 14, 2005

BOARD OF DIRECTORS MEETING ROOM, 10TH FLOOR
1255 IMPERIAL AVENUE, SAN DIEGO

MINUTES

1. Roll Call

Chairman Williams called the meeting to order at 9:04 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Ewin moved to approve the minutes of the June 23, 2005, Board of Directors meeting. Ms. Atkins seconded the motion, and the vote was 9 to 0 in favor.

3. Public Comments

Don Stillwell: Mr. Stillwell objected to the current routing and frequency of service of Route No. 14. He said it is particularly a problem for those riders who want to go to Kaiser Hospital. He proposed a new routing and a 30-minute frequency for this route. Mr. Conan Cheung, MTS Director of Planning and Performance Monitoring, displayed a map of the area in question. He stated that stopping points objected to by Mr. Stillwell are within ¼ mile walking distance of Kaiser Hospital. He added that if Mr. Stilwell's recommendations were implemented, it would add four to five minutes to the route. He stated that this would impact 180 through riders compared to the 66 passengers impacted by the current routing of Route 14. Mr. Cheung also advised the Board that staff from his department have been in touch with Mr. Stillwell and have also been at both Grantville and Mission San Diego stations to alert passengers regarding the service changes related to the opening of Mission Valley East (MVE).

Angela Rainer: Ms. Rainer requested new trolley service to the airport for both air travelers and airport employees, and she requested that service for employees be provided between the hours of 2 a.m. and 4 a.m. when they leave and arrive for work. Mr. Paul Jablonski, MTS Chief Executive Officer (CEO), stated that MTS has to allow freight trains to use the tracks for 2 hours and 15 minutes each morning, and those are the hours they have use of the track. He stated that it is against federal regulations to run both freight and trolley operations at the same time. He added that building a trolley line to serve the airport should not be pursued until a decision has been made regarding the location of a new airport.

Clive Richard: Mr. Richard stated that the new Green Line is beautiful. He also stated that the Board deserved to be thanked for accomplishing the opening of this line. He added that San Diego Trolley management and staff should be applauded for their efforts from construction to operation.

4. Presentation of Employee Awards

SDTC Employee Service Awards: San Diego Transit employees were presented with service awards as follows: For 20 years of service: Arthur Ortiz and Edward Sanchez, both operators. For 25 years of service: Buyer Tessie Paje and Quality Assurance Supervisor Ray Thompson. For 30 years of service: Operator Edward Mendez.

SDTI Employee Service Awards: San Diego Trolley employees were presented with service awards as follows: For 15 years of service: Rolando Montes, Facilities Supervisor.

Award for Distinguished Service: San Diego Trolley employee Lorena Avina, Ticket Sales Agent, was recognized for assisting an elderly man with Alzheimer's get back to his family.

5. Closed Session Items (ADM 122)

- a. The Board convened to Closed Session at 9:26 a.m. for CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION Significant Exposure to Litigation Pursuant to Subdivision (b) of Government Code Section 54956.9 (One Potential Case).

The Board reconvened to Open Session at 9:45 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, MTS General Counsel, reported that the Board received a report and gave direction to staff and General Counsel.

CONSENT ITEMS

6. MTS: Increased Authorization for Legal Fees (CIP 10453.6)

Recommend that the Board of Directors ratify the previous actions of the Chief Executive Officer (CEO) and authorize the CEO to enter into Contract Amendment No. 5 to MTS Document No. L0602.0-02, in substantially the same form as Attachment A of the agenda item, with Best Best & Krieger, for legal services for the San Ysidro Intermodal Transportation Center Project.

7. MTS: Transportation Development Act Claim Amendment (FIN 340.2, PC 30100)

Recommend that the Board of Directors adopt Resolution No. 05-11 (Attachment A of the agenda item) amending FY 04 Transportation Development Act (TDA) Article 4.0, Claim No. 253, for National City Transit.

Recommended Consent Items

Mr. Rindone moved to approve Consent Agenda Item Nos. 6 and 7. Mr. Morrison seconded the motion, and the vote was 11 to 0 in favor.

NOTICED PUBLIC HEARINGS

There were no Noticed Public Hearings.

DISCUSSION ITEMS

30. MTS: Comprehensive Operational Analysis – Regional Service Concept
(AMD 121.10, PC 50451)

Mr. Cheung advised the Board that this report was being given as a follow-up to discussions at the June 23, 2005, Board meeting. He reviewed the vision for MTS services and the Regional Service Concept with three different tiers or types of services. He reviewed the three tiers and the factors that were used to assess that particular market. He used maps to show demographic information used in the assessment process and to show geographical areas to be served by each tier of service. Mr. Cheung then provided the Board with an overview of the comments made by the Blue Ribbon and Citizen Advisory Committees. He reported the both committees suggested changing the term “Core” network as each of the three tiers of service is equally important. Mr. Cheung reported that All Day Network Area will be used instead of Core.

In response to a question from Mr. Ewin, Mr. Cheung stated that requests for community-based services (Tier 3) will have to meet certain criteria before service will be provided. He added that those criteria have not yet been developed. He also advised Mr. Ewin that service will be designed around key transit corridors, which should facilitate housing and commercial development along those corridors. Mr. Chueng also stated that the competitiveness of transit with other modes was taken into consideration during the assessment process. Mr. Ewin asked at what level of productivity (community-based services) would MTS fund the service and at what level would the community be asked to fund the service. Mr. Cheung stated that service thresholds would be determined at a later date.

Mr. Monroe complimented Mr. Cheung and his staff for their work on this very complex process. He stated that spontaneous service is very important, and he felt that is defined by five- to seven-minute frequencies. He stated that many of the members of the SANDAG Peer Group are from cities that have a spontaneous threshold of five to seven minutes. Mr. Rindone also complimented the work done on this project and added that this is the most challenging analysis this organization has even undertaken. Mr. Rindone stated that an area with high demand and no service should take priority over an area with service but low demand.

In response to a question from Mr. Clabby, Mr. Cheung stated that they have information regarding trip originations that is provided via a SANDAG Transportation Model. He added that he would like to do a zip code survey to validate the SANDAG model.

Action Taken

Mr. Lewis moved to (1) direct staff to develop the core transit network based on the areas identified in the analysis; (2) receive information on market-based services. Mr. Clabby seconded the motion, and the vote was 12 to 0 in favor.

31. MTS: Operation and Maintenance Agreement for the Mission Valley East (MVE) Light Rail Transit (LRT) Station and Bus Transit Center at San Diego State University (SDSU) (CIP 10426.13)

Mr. Jablonski reviewed the Operation and Maintenance Agreement that MTS and SDSU negotiated to govern operational and maintenance activities of the SDSU Station upon completion of the MVE project. He provided the Board with an overview of the provisions in the agreement regarding easements, term, revenue-generating activities, maintenance, indemnity, security protocol, and insurance. Mr. Jablonski also provided the Committee with a detailed explanation of the term of the agreement. Mr. Jablonski advised the Committee that MTS commissioned a risk assessment report from an independent third party in order to facilitate an agreement on the amount of general liability, automobile liability, and workers' compensation insurance coverage to be carried. He added that another risk assessment must be done in ten years. He stated that he and the General Counsel are in the process of ensuring that the easement agreements don't conflict with the operating and maintenance agreement.

In response to a question from Mr. Lewis, Mr. Jablonski reported that any graffiti or vandalism in areas for which MTS is responsible must be addressed within 24 hours, which is consistent with campus policy.

Public Comment

Clive Richard: Mr. Richard recognized the CEO and General Counsel for negotiating the Operation and Maintenance Agreement with SDSU. He stated that he would like to see the entire agreement when it has been finalized.

Action Taken

Mr. Emery moved to (1) authorize the CEO to execute the Operation and Maintenance Agreement for the Mission Valley East Light Rail Transit Station and Bus Transit Center at San Diego state University, in substantially the same format as attached (Attachment A of the agenda item); and (2) authorize the CEO to approve modifications or changes to the exhibits to the Operation and Maintenance Agreement from time to time so long as the exhibits are consistent with the terms and conditions of the Operation and Maintenance Agreement. Mr. Ewin seconded the motion, and the vote was 12 to 0 in favor.

32. MTS: Interim Interest Rate Lock of Pension Obligations Bonds, Variable Rate Series (FIN 300, PC 50601)

Mr. Cliff Telfer, MTS Interim Chief Financial Officer, referred Board members to the revised agenda item that was placed at the table prior to the start of the meeting, which includes a resolution for adoption by the Board. He reminded the Board that, at the time

the Pension Obligation Bonds (POBs) were approved, one half of the bonds were issued as variable-rate debt with the understanding that strategies would be taken as needed to mitigate interest-rate exposure. He then introduced Keith Curry of UBS Financial Services Inc. to explain how and why such an action would be taken at this time. Mr. Curry reported that variable rates have increased from 1.87 on October 28, 2004, to 3.31 on July 6, 2005. He reported that staff is recommending that the interest rate on the variable portion of the POBs be locked in for an interim period of time using a fixed-rate swap and reviewed the mechanics of a Interest Rate Exchange Agreement. He presented rates for one- to seven-year terms.

Mr. Curry also reported that by adopting a variable rate when the bonds were issued, MTS saved approximately \$2 million in debt service cost. He reported that approval of staff's recommendation would preserve redemption flexibility while reducing interest rate exposure in a higher interest rate environment. He added that the primary risk for a short-term swap is basis risk. He added that MTS's variable-rate series has always traded closely to 100 percent of 30-day London Interbank Offered Rate (LIBOR), and therefore risk should be minimal.

The Board briefly discussed locking in the interest rate for one half of the variable-rate bonds for five years and one half for seven years. In response to a question from Ms. Rose, Mr. Curry stated that the bonds should not be locked in for the entire term of maturity because that would eliminate the opportunity to take advantage of rates when they begin to decrease again, which he felt they would. Mr. Roberts expressed support for the seven-year lock, which costs only about \$15,000 more per year than the five-year lock. He also stated that it is important to have certainty for planning purposes. Mr. Rindone also expressed support for a seven-year lock. Mr. Murphy McCalley, McCalley Consulting, in response to a question from Mr. Roberts, agreed that he supported this action.

Action Taken

Mr. Rindone moved to (1) direct staff to proceed with locking in the interest rate of the variable rate series of the pension obligation bonds for a seven-year period of time; and (2) authorize the CEO to approve the financing documents so MTS can be ready to lock in the interest rate at the opportune market time; and (3) approve Resolution No. 05-12 authorizing the execution of an Interest Rate Management Agreement in connection with the MTS Pension Obligation Bonds 2004 Series B (Variable Rate Demand Bonds) and other matters relating thereto. Mr. Roberts seconded the motion, and the vote was 11 to 0 in favor.

33. SDTI: Vintage Trolley Concept – PCC Cars (OPS 970.2, PC 30102)

Mr. Mathis provided a historical perspective on electric rail and trolley cars. Mr. Mathis then presented information regarding the purchase and operation of President's Conference Committee (PCC) cars. He stated that there are cars for sale, and he would like staff to pursue the purchase and transport of two of these cars to San Diego. Mr. Mathis stated that an SDTI staff member has identified two cars that are in reasonably good condition (car nos. 1122 and 1123), and the owner is willing to sell these cars for \$35,000 to MTS with delayed payment. He added that shipping would cost between \$8,000 and \$10,000, which would be paid for using donations. Mr. Peter Tereschuck,

SDTI President-General Manager confirmed that these two cars could be stored on SDTI property without interfering with normal operations.

Mr. Mathis stated the cars would be purchased and restored using donations and a volunteer force and then used to establish a "Silver Line" service. He stated that these cars would operate in a one-way, clockwise motion utilizing an existing loop of track beginning at 12th & Imperial extending along Bayside, through downtown, and back through 12th & Imperial using the third track and its connection at Bayside to complete the loop. He added that these cars would also be suitable for use in special service. He stated that SDTI would have operational control of this line, and the line would be governed by MTS.

Mr. Emery expressed his support for this project, and stated that these types of projects are extremely popular with the public. He stated that Poway's project in Old Poway Park generated a lot of volunteers. In response to a question from Mr. Roberts, Mr. Mathis stated that preliminary estimates indicate it would cost approximately \$100,000 per car to complete this project, but he added that a more accurate estimate can be developed once the cars arrive in San Diego and an assessment of the work that is needed can be done. Also in response to a question from Mr. Roberts, Mr. Mathis stated that the seller seems to be more interested in getting the cars off his property than in getting payment. Mr. Mathis felt that the seller would be satisfied with a partial payment. Mr. Mathis stated that an agreement will be reached with the seller that addresses this issue. He also stated that these cars have resale value, and he feels that value will increase as the supply of available cars decreases. Mr. Roberts stressed the importance of having an agreement with the seller in order to protect MTS's investment. In response to a question from Mr. Monroe, Mr. Tereschuck stated that staff members are enthusiastic about this project. Ms. Rose thanked Mr. Mathis for taking on this project and offered her assistance.

Action Taken

Mr. Rindone moved to (1) support staff's recommendation for conceptual approval for a vintage trolley operation subject to funding availability; (2) authorize staff to pursue the purchase and transport of two vintage PCC streetcars from Lake Tahoe to San Diego and to allow storage and restoration at SDTI facilities in a manner so as not to interfere with regular light rail transit operations or maintenance; and (3) direct staff to evaluate options for the solicitation of private funds to support the purchase, transport, and restoration of the historic PCC cars. Ms. Rose seconded the motion, and the vote was 11 to 0 in favor.

34. MTS: County Regional Communications System Agreement (OPS 920.5, PC 50751)

Ms. Susan Hafner, MTS Director of Multimodal Operations, provided the Board with an overview of staff's recommendation to join the Regional Communications System (RCS) as an Equity Partner. She provided background on the system, the advantages to joining, the infrastructure investment already made, details of the current opportunity, and identification of funding to cover the costs of joining.

Mr. Roberts stated that this is a state-of-the-art system, and federal agencies are also tied into this system although the City of San Diego is not. He added that he thought the City did not join because of a cost issue. Mr. Roberts also stated that this is a very cost-

effective package and not a profit center for the County of San Diego. Mr. Emery stated that 16 San Diego County systems participate in the RCS. Mr. Jablonski pointed out that San Diego Trolley has its own system – that the RCS system would be for buses only. In response to a question from Mr. Clabby, Ms. Hafner explained that these communication systems are actually installed on the vehicles and that this item was first discussed by the Board as part of the County Transit divestiture. Mr. Clabby expressed concern over the age of the RCS system and short timeframe in which the Board was being asked to consider and take action on this item. Mr. Roberts stated that the RCS can be expanded and upgraded as needed, and that he would be very surprised if there would be a new system available within the near future. Mr. Emery pointed out the importance of having transit integrated into a community-wide system. Mr. Jablonski pointed out that the RCS system is a very cost effective option even if considered as an interim step.

Action Taken

Mr. Emery moved to authorize the CEO to execute an option with the County of San Diego to join the Regional Communications System with Equity Partner status for up to 350 radios. Mr. Ewin seconded the motion, and the vote was 11 to 0 in favor.

35. MTS: Rural Bus Service Adjustments (OPS 980, PC 20484)

Mr. Jablonski explained that this report was being given at the Board's request after its review of Rural Bus Service productivity numbers at the June 23, 2005, Board meeting. He reminded the Board that the productivity numbers were presented on June 23 at Board request after approval of the renewal of the contract for this service was presented to the Board for approval on June 9. He stated that staff would present three different service-level options developed from a productivity and life-line standpoint. He also called the Board's attention to letters from both County Supervisors Jacob and Horn regarding the Rural Bus Service adjustments. He advised the Board that the Transportation Development Act (TDA) contains a provision that rural services must achieve a 10 percent farebox recovery rate before TDA funding can be used to fund that service. Mr. Monroe pointed out that the Board was not provided with productivity information at the time the contract was presented for approval.

Mr. Cheung advised the Board that a revised Attachment B was placed at the table prior to the start of the meeting. Mr. Cheung reported the following system-wide averages against which to compare the performance of rural services: 26 revenue passengers per hour with an average fare per passenger of \$2.04. He then provided a review of the passengers per hour, passengers per trip, and subsidy per passenger for each of the existing rural services. He then provided details about each of the three options, including the projected annual savings. He reported that whatever option is selected, staff can renegotiate the contract for Rural Bus Services to reduce the fixed costs. Mr. Cheung stated that, once the Board selects an option, planning staff members would set up community meetings in order to gather information with which to refine the options and then a public hearing would be held. Chairman Williams stated that he had talked to Mr. Jerry Barber, Board Member of the Rural Mountain Bus Board, regarding Rural Bus Service, and asked staff to discuss this matter with him.

Mr. Roberts stated that he agreed that the subsidies for Rural Bus Services are too high. He stated that he had indications that residents in the areas served by these routes have

suggestions for improving productivity, including substantially increasing fares. He stated that staff should present all three options to these rural communities. Mr. Lewis requested that staff keep an open mind during these meetings. He also suggested recording the comments and bringing them back to the Board. Mr. Morrison stressed the importance of making a decision about rural service as quickly as possible given how expensive it is for MTS to provide this service. Mr. Roberts stated that the fare structure for Rural Bus Services should also be discussed. Specifically, he requested that staff compare Rural Bus Service fares to fares for express routes. He requested that staff make this topic part of the discussion in the community meetings.

Mr. Monroe thanked San Diego Union-Tribune reporter Jeff Ristine for his excellent article regarding this matter. He stated that he supported Option 1. He stated that it was interesting that the two supervisors who did not support TransNet II because it included more funding for transit than they wanted, are the individuals now writing to MTS in support of Rural Bus Service.

Mr. Ewin asked staff if this is the maximum ridership that can be achieved for rural services. He also asked if MTS would have adequate equipment to handle the passengers on Route 894 as outlined in Option 3. Mr. Cheung stated that there are a fair number of trips on Route 894 that are at capacity, but 40-foot buses could be added to this route if needed. Mr. Ewin also requested that the public hearing be held at a location closer to the residents.

Mr. Jablonski stated that there may be an excess of rural service provided. He stated that rural service should be once or twice a week, and residents may only want that much service. Mr. Ewin stated that staff should discuss this with the residents. Mr. Emery stated the staff needs to ensure that the information presented to the Board be emphasized at the community meetings. He stated that the displays should be very large and should clearly show the subsidy rates for this service. Mr. Lewis stated that MTS's financial situation should also be explained at these community meetings.

Mr. Rindone suggested that staff include an Option 1a, which would include a reduction in Route 894 from four round trips per day to two round trips per day. Staff agreed to include an Option 1a. Mr. Rindone stated that, as stewards of the public's money, this is the prudent thing to do. Staff confirmed at Mr. Rindone's request that they would attempt to bring the results of the community meetings back to the Board at its September 8 meeting.

Action Taken

Mr. Roberts moved to (1) receive the rural services route-by-route analysis as included as Attachment B of the agenda item; and (2) requested, on behalf of the County Supervisors Jacob and Horn, that staff present all three options to the communities served by Rural Bus Services with a report back as soon as possible; and (3) and that staff review the fare structure for Rural Bus Service and discuss this subject at the community meetings. Mr. Emery seconded the motion, and the vote was 10 to 0 in favor.

36. MTS: Procurement for FY 05 Audit Services (FIN 300, PC 50601)

Mr. Telfer provided the Board with background for staff's recommendation to waive the formal bid requirement and authorize the CEO to negotiate a contract for auditing services for a one-year period.

Action Taken

Mr. Ewin moved to (1) waive the formal bid requirements of Policy No. 13; and (2) allow the CEO to enter into a negotiated contract for auditing services for a one-year period not to exceed \$350,000. Mr. Jones seconded the motion, and the vote was 9 to 0 in favor.

REPORT ITEMS

Recommended Report Items

45. MTS: Operations Budget Status Report for May FY 2005 (FIN 310.1, PC 50601)

There was no discussion of this item.

Action Taken

Mr. Rindone moved to receive the MTS Operations Budget Status Report for May FY 05. Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

46. MTS: May Monthly Performance Indicators (OPS 920.1, 960.5, 970.5, PC 50451)

In response to a comment by Mr. Monroe, Mr. Tereschuck reported that the spike in the Rail Total Collision Accidents (per 100,000 Miles) for May 05 was an anomaly, and that the accidents that contributed to the spike were low-speed accidents with only minor injuries.

Action Taken

Mr. Clabby moved to receive this report for information. Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

47. SDTC: MTS Bus FY 05 Year-End Operations Report (OPS 920.5, PC 50751)

There was no discussion of this item.

Action Taken

Mr. Rindone moved to defer this item. Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

48. MTS: Southern California Maglev Project (AG 230, PC 30100)

There was no discussion of this item.

Action Taken

Mr. Rindone moved to defer this item. Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

60. Chairman's Report (ADM 121.7, PC 30100)

There was no Chairman's Report.

61. Chief Executive Officer's Report (ADM 121.7, PC 30100)

Green Line Opening Day and Ridership: Mr. Jablonski reported that the opening event for the Green Line was very successful. He also reported that between 22,000 and 25,000 people rode the Green Line on Free-Ride Day. He stated that the transfer process at Old Town is working very well, and there has been some increase in car parking at Gillespie Field as a result of people using the trolley. He also reported that, as a result of difficulties with the new S70 trolley cars, only seven to eight cars have been used with any kind of regularity. He added that preliminary estimates are that ridership is approximately 10,000 riders per day. He stated that survey takers will be on the line in the near future to validate that. He stated that this is not 10,000 new riders. Mr. Mathis stated that ridership will increase when school starts.

62. Board Member Communications

Green Line Opening Day: Mr. Emery complimented staff for the great job done in handling individuals at the opening event and weekend activities related to the Green Line opening. Mr. Rindone added his thanks and recognition of staff and Mr. Tereshuck.

63. Additional Public Comments on Items Not on the Agenda

Ginny Billock: Ms. Billeck was not present when she was called to speak.

64. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, August 11, 2005, at 9:00 a.m. in the same location.

65. Adjournment

Chairman Williams adjourned the meeting at 12:17 p.m.

Chairman
San Diego Metropolitan Transit
Development Board

Filed by:

Approved as to form:

Office of the Clerk of the Board
San Diego Metropolitan Transit
Development Board

Office of the General Counsel
San Diego Metropolitan Transit
Development Board

Attachment: A. Roll Call Sheet
gail.williams/minutes