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MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
 BUDGET DEVELOPMENT COMMITTEE

January 31, 2017
 9:00 AM

James R. Mills Building
 Executive Conference Room
 1255 Imperial Avenue, San Diego

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- | | | <u>ACTION
RECOMMENDED</u> |
|----|--|-------------------------------|
| 1. | ROLL CALL | |
| 2. | APPROVAL OF MINUTES - October 27, 2016 | Approve |
| 3. | PUBLIC COMMENTS | |
| 4. | COMMITTEE DISCUSSION ITEMS | |
| a. | <u>Appointment of Committee Chairman and Vice Chairman</u>
Action would take nominations from the floor and elect the Budget Development Committee Chairman and Vice Chairman for the 2017 calendar year. | Elect |
| b. | <u>Security Services Agreement-Contract Amendment (Larry Marinesi and Manny Guaderrama)</u>
Action would receive a report on the contract amendment status and the latest negotiations with Universal Protection Services (UPS), as well as provide direction to staff for these negotiations with UPS. | Possible Action |

Please SILENCE electronics
 during the meeting



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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc. and San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations). MTS is the taxicab administrator for seven cities.

MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

4 COMMITTEE DISCUSSION ITEMS - Continued

c. Operating Budget Discussion (Mike Thompson)

Possible Action

Action would receive a report regarding the status of the operating budget and provide guidance on budgetary issues.

5. ADJOURNMENT

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BUDGET DEVELOPMENT COMMITTEE
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

October 27, 2016

MINUTES

1. ROLL CALL

Chairman McClellan called the Budget Development Committee (BDC) meeting to order at 9:05 a.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Minto moved to approve the minutes of the April 25, 2016 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Mathis seconded the motion, and the vote was 3-0 in favor, with Ms. Cole absent.

3. PUBLIC COMMENTS

There were no public comments.

4.a. Appointment of Committee Chairman and Vice Chairman

Mr. Mathis moved to nominate Mr. Roberts as Committee Chairman and Mr. McClellan as Vice Chairman. Mr. Minto seconded the motion.

Action Taken

The vote for Mr. Roberts as Committee Chairman was 3-0 in favor with Mr. Roberts abstaining. The vote for Mr. McClellan as Vice Chairman was 3-0 in favor with Mr. McClellan abstaining.

4.b. Security Services Agreement-Contract Amendment (Manny Guaderrama and Larry Marinesi)

Manny Guaderrama, Director of Transit Enforcement/Chief of Police, and Larry Marinesi, Chief Financial Officer, gave the Committee a presentation on the Security Services Agreement/Minimum Wage. The discussion focused on the impact of increasing minimum wage rates set by the City of San Diego and State of California on the security contract with Universal Protection Service (UPS). The Board of Directors approved the \$39 million contract with UPS on February 11, 2016, and language in the contract included addressing potential minimum wage legislation. Mr. Marinesi explained that as an agency, MTS must comply with the minimum wage rates that are most favorable to employees. He gave an overview of the progression of structured pay grades for UPS's different employee types. Mr. Marinesi stated that staff completed an Independent Cost Estimate (ICE) and entered into negotiations regarding new local and state laws, and concluded that a contract increase of \$2.8 million is required, rather than the \$5.9 million UPS proposed. He summarized the other contracts minimum wage changes

have a slight impact on, including janitorial, Americans with Disabilities Act (ADA) paratransit, and fixed route. A discussion ensued regarding turnover and trends in the security industry.

4.c. MTS Energy Programs (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, gave an overview of MTS Energy Programs. He stated that the Energy Program makes up \$27.6 million of the overall budget in fiscal year (FY) 2017 consisting of electricity, natural gas, and gas/diesel. Mr. Thompson explained that the budget for each type of fuel is made up of multiple components: commodity, transportation, demand, station maintenance, and station utilities. He noted that Board Policies and Procedures No. 59-Energy Commodity Hedging enables MTS to purchase natural gas and electricity commodities directly from a third party service provider instead of San Diego Gas & Electric (SDG&E). This provides significant savings and has no impact on operations. He stated that in FY16, commodity rates for obtaining natural gas from a third party instead of from SDG&E were 16% lower, and 59% lower for electricity, resulting in total program savings of almost \$3.5 million. Mr. Thompson summarized electricity and natural gas costs. Both electricity and natural gas costs are rising, partially due to increased utilization. He discussed biogas and energy credits, which MTS generates from utilizing biogas, then sells to British Petroleum (BP) at index rates. Mr. Thompson reviewed the energy credit trends, and explained a new Low Carbon Fuel Standard (LCFS) credit program for MTS light rail vehicles. He led a discussion on selling these credits. The Committee directed staff to revise the Board Policies and Procedures No. 59-Energy Commodity Hedging to give the Chief Executive Officer (CEO), Mr. Jablonski, the authority to sell the energy credits as he sees fit, and to report the sales to the Board the following month. Mr. Thompson concluded with a summary of other projects: a pilot of propane fueled minibuses and looking at different transportation rates for natural gas.

4.d. Operating Budget Discussion (Mike Thompson)

Mr. Thompson gave a presentation on the FY16 Operating Budget Results. He reported that energy results, personnel expenses, purchased transportation, and energy costs were favorable to the budget. He also reported the unfavorable side: SDG&E demand/transportation costs, passenger revenue, and sales tax receipts. Mr. Thompson summarized the FY16 revenues less expenses, with \$8.2 million total revenues less expenses. He reviewed the FY17 trends for sales tax receipts and passenger revenue. He noted that chargebacks on credit card transactions were over 3% since July, and Visa required merchants to have chargeback volumes of less than 1%. He explained that the options to amend this included implementing additional security features, or shutting down the online fare purchase system. Mr. Thompson presented the FY17 preliminary forecast, emphasizing that passenger revenue was the primary concern, but could be partially offset by savings within expense. He stated that the FY16 budget had excess revenues of \$3.9 million, and needed direction on where to place it. The Committee discussed this, and agreed to put \$1.9 million in fare collection, and roll \$2 million over to the FY17 operating budget.

5. Adjournment

Chairman Roberts adjourned the meeting at 10:59 a.m.

Budget Development Committee Meeting

October 27, 2016

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Chairman of the Budget Development Committee



Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet

**BUDGET DEVELOPMENT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 10/27/16 CALL TO ORDER (TIME) 9:05 AM
 RECESS _____ RECONVENE _____
 CLOSED SESSION _____ RECONVENE _____
 ADJOURN 10:59 AM

BOARD MEMBER (Alternate)		PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
COLE	<input checked="" type="checkbox"/>	9:08	10:59
MATHIS	<input checked="" type="checkbox"/>	9:05	10:59
McCLELLAN	<input checked="" type="checkbox"/>	9:05	10:59
MINTO	<input checked="" type="checkbox"/>	9:05	10:59
ROBERTS	<input checked="" type="checkbox"/>	9:05	10:59

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE: *cris Chan*

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: *faucard*

c: Clerk of the Board
 Accounts Payable
 Attachment to Original and Draft Minutes



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Agenda Item No. 4a

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

January 31, 2017

SUBJECT:

APPOINTMENT OF COMMITTEE CHAIRMAN AND VICE CHAIRMAN

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Budget Development Committee:

Action would take nominations from the floor and elect the Budget Development Committee Chairman and Vice Chairman for the 2017 calendar year.

Budget Impact

None.

DISCUSSION:

Budget Development Committee and MTS Board of Directors' Finance Workshops are led by a Budget Development Committee appointed Chair, or Vice Chair in the Chair's absence.

The Chairman and Vice Chairman of the Budget Development Committee nomination procedures pursuant to Robert's Rules of Order are as follows:

1. The past Vice-Chairman opens the agenda item.
2. The past Vice-Chairman requests nominations from the floor. Nominations do not require a second.
3. The past Vice-Chairman closes the nominations.
4. The past Vice-Chairman invites the candidate(s) to address the Committee for 3 minutes.



5. The past Vice-Chairman asks for any Committee discussion.
6. The past Vice-Chairman calls for the vote on each motion for each candidate.
7. The vote is taken on the motion(s) for each candidate based upon the order in which they were nominated. The vote continues until a candidate is elected.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Mike Thompson, 619-557-4557, mike.thompson@sdmts.com



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Agenda Item No. 4b

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

January 31, 2017

SUBJECT:

SECURITY SERVICES AGREEMENT – CONTRACT AMENDMENT (LARRY MARINESI AND MANNY GUADERRAMA)

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Budget Development Committee receive a report on the contract amendment status and the latest negotiations with Universal Protection Services (UPS), as well as provide direction to staff for these negotiations with UPS.

Budget Impact

None at this time.

DISCUSSION:

MTS requires uniformed security officers at various locations throughout its service area to provide a safe environment for patrons and employees alike. Security officers have the capability to respond to disturbances and emergencies affecting both trolley and bus services.

On February 11, 2016, the MTS Board of Directors (Board) approved MTS Doc. No. G1828.0-15 with UPS to provide security services for three (3) base years from July 1, 2016 to June 30, 2019, with an option to extend for an additional two (2) years, from July 1, 2019 to June 30, 2021, for \$39,037,552. The originally contracted hourly rates considered the California minimum wage rate of \$10.00 per hour in effect at that time. During negotiations, UPS and MTS agreed that with any federal, state or local legislative minimum wage changes regarding minimum wage, MTS and UPS would renegotiate and modify the contract for the respective minimum wage impacts.

In April 2016, the California State Legislature passed the California \$15 Minimum Wage Initiative raising California's minimum wage over time as follows:

For any employer who employs 26 or more employees, the minimum wage shall be as follows:



- (A) From January 1, 2017, to December 31, 2017, inclusive, - ten dollars and fifty cents (\$10.50) per hour.
- (B) From January 1, 2018, to December 31, 2018, inclusive, - eleven dollars (\$11) per hour.
- (C) From January 1, 2019, to December 31, 2019, inclusive, - twelve dollars (\$12) per hour.
- (D) From January 1, 2020, to December 31, 2020, inclusive, - thirteen dollars (\$13) per hour.
- (E) From January 1, 2021, to December 31, 2021, inclusive, - fourteen dollars (\$14) per hour.
- (F) From January 1, 2022, to December 31, 2022, inclusive, - fifteen dollars (\$15) per hour.

On June 7, 2016, the voters of the City of San Diego approved Proposition I: San Diego Minimum Wage Increase, which raised the local minimum wage from \$10.00 per hour to \$10.50 per hour effective July 11, 2016. In addition, Proposition I also approved five days of sick leave per year for every covered employee. The chart below illustrates the City of San Diego's minimum wage rates:

\$10.50 per hour on July 11, 2016

\$11.50 per hour on January 1, 2017

\$11.50 per hour on January 1, 2018

*Wage attached to inflation beginning on January 1, 2019

When there is a conflict in regulations, an employer must follow the ordinance that benefits employees the most. Therefore MTS asked UPS to submit a revised cost proposal that meets the higher of the two requirements (City vs State), for all contract years starting in July 2016. The UPS proposal made two key assumptions:

- Preserve the differentiation between the various classes of employees (Part-time Ambassadors, Unarmed, Armed, etc.)
- Keep differentiation in progression tiers for years and experience

The result of these negotiations was a proposed \$5.9 million amendment to the contract, which was brought to the Board in July 2016 for approval. At that Board meeting, staff was directed to review these assumptions with the Budget Development Committee (BDC) and present more cost effective options that would still be in compliance with the state and local minimum wages laws.

In October 2016, Staff presented options to the BDC, and received direction to proceed in negotiating a more cost effective contract with UPS. At this BDC meeting, Staff will present the latest update regarding these UPS negotiations. Staff will also present the overall Security staffing resources, the internal/external composition of that staffing, and propose a reorganization of these resources.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Larry Marinesi, 619-557-4542, larry.marinesi@sdmts.com

Minimum Wage Presentation / Security Services Contract / Alternative Deployment of Enforcement Operations

MTS Budget Development Committee

January 31, 2017



Minimum Wage: Timeline of Political Process

- The City's Minimum Wage Ordinance was approved by Council in August 2014 after Mayoral veto
- Campaign to gather enough signatures to place the issue on the ballot
 - In February 2016, Council confirmed the measure for the June 2016 ballot.
- Voters approved San Diego measure in June 2016
- Governor Brown signed State legislation in April 2016



Minimum Wage Rates

	City of San Diego \$/Hour		State of California \$/Hour
Prior to 7/7/16	\$10.00		\$10.00
7/7/2016	\$10.50	40% increase since prior to legislation	\$10.00
1/1/2017	\$11.50		\$10.50
1/1/2018	\$11.50		\$11.00
1/1/2019	\$11.79 *		\$12.00
1/1/2020	\$12.08 *		\$13.00
1/1/2021	\$12.38 *		\$14.00
1/1/2022	\$12.69 *		\$15.00

* Wages for City of San Diego attached to inflation beginning January 2019. Chart reflects a projection of 2.5%.

Must comply with rate most favorable to employees (rates in bold above)



Minimum Wage: Security Procurement

- Issued Request for Proposals on 08/10/2015
- Staff recommended and Board of Directors approved contract with Universal Protection Service (UPS) on February 11, 2016
 - Total Contract \$39.0M (Base \$23.3M and Options \$15.7M)
 - Base Period: July 2016 - June 2019
 - Option Periods: July 2019 - June 2021
- Due to potential minimum wage increases discussions at State and Local level, language included in contract:
 - Addressing potential Minimum Wage Legislation



Minimum Wage: Security Procurement

- Next highest ranked contractor in Security procurement total bid = \$44.0M
 - Proposal also did not meet minimum wage levels that were passed
 - Projected bid including minimum wage changes = \$48.0M



UPS Original Cost Breakdown

- UPS's proposal included different employee types and structured pay grades (progression)
 - Rewards employees for longevity and growing within the organization
 - Goal to increase employee retention

<i>Position</i>	<i>Progression Steps</i>	<i># of FTE</i>	<i>Range of Pay Year 1</i>	<i>Total Costs By Category</i>
Special Events Officers	1	7	\$10.00	\$ 1,055,600
Unarmed Officers	11	83	\$10.50 - \$11.60	13,699,104
Armed Officers	7	85	\$11.00 - \$13.58	16,177,016
Armed Courier Service	1	1	\$11.00	160,160
Armed Sergeant (Supervisors)	13	14	\$14.26 - \$17.60	3,176,461
Armed Lieutenant (Managers)	1	2	\$18.00	505,440
Dispatch / CCTV Officer	1	1	\$18.00	252,720
Armed Captain	1	1	\$34.61	485,924
Other Contract costs				3,525,127

Total FTE **194** **\$ 39,037,552**

*Reflects beginning of fiscal year rates as chart is broken out by fiscal year and increases are on January of each year. Calculations incorporate mid-fiscal year increases.



Minimum Wage: Security Procurement

- Example for Unarmed Officers below
 - Similar progressions for Armed Officers and Armed Sergeants (see handout)

	Year 1	Year 2	Year 3	Year 4	Year 5
Unarmed Officer - Probationary	10.50	10.50	10.50	10.50	10.50
Unarmed Officer - Step A	10.75	10.75	10.75	10.75	10.75
Unarmed Officer - Step B	11.00	11.00	11.00	11.00	11.00
Unarmed Officer - Step C	11.10	11.10	11.10	11.10	11.10
Unarmed Officer - Step D	11.15	11.15	11.15	11.15	11.15
Unarmed Officer - Step E	11.20	11.20	11.20	11.20	11.20
Unarmed Officer - Step F	11.25	11.25	11.25	11.25	11.25
Unarmed Officer - Step G	11.30	11.30	11.30	11.30	11.30
Unarmed Officer - Step H	11.35	11.35	11.35	11.35	11.35
Unarmed Officer - Step I	11.40	11.40	11.40	11.40	11.40
Unarmed Officer - Step J	11.45	11.45	11.45	11.45	11.45
Unarmed Officer - Step K	11.50	11.50	11.50	11.50	11.50
Unarmed Officer - Step L	11.60	11.60	11.60	11.60	11.60



Minimum Wage: Security Procurement

- After the passage of the City of San Diego minimum wage measure, staff completed an Independent Cost Estimate (ICE) and requested a revised proposal from UPS relative to new local and State laws.
- UPS Goals / Approach:
 - Bring contract in compliance with State and Local rates
 - Keep differentiation in progression tiers for different employee types to address retention
 - Preserve continued progression format for years of service and experience



Minimum Wage: Security Procurement

- UPS's revised proposal for minimum wage
 - Preserved differentiation between employee types
 - For Example: Unarmed officers earning \$0.50 more than Special Events Officers
 - Increased progression wage rates after adjusting the entry levels
 - Overall resulted in a contract totaling \$44.9M (\$5.9M increase)

Minimum Wage	10.50	11.50	11.50	12.00	13.00	14.00
	Jul-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21
Unarmed Officer - Probationary	11.00	12.00	12.00	12.50	13.50	14.50
Unarmed Officer - Step A	11.25	12.25	12.25	12.75	13.75	14.75
Unarmed Officer - Step B	11.50	12.50	12.50	13.00	14.00	15.00
Unarmed Officer - Step C	11.60	12.60	12.60	13.10	14.10	15.10
Unarmed Officer - Step D	11.65	12.65	12.65	13.15	14.15	15.15
Unarmed Officer - Step E	11.70	12.70	12.70	13.20	14.20	15.20
Unarmed Officer - Step F	11.75	12.75	12.75	13.25	14.25	15.25
Unarmed Officer - Step G	11.80	12.80	12.80	13.30	14.30	15.30
Unarmed Officer - Step H	11.85	12.85	12.85	13.35	14.35	15.35
Unarmed Officer - Step I	11.90	12.90	12.90	13.40	14.90	15.90
Unarmed Officer - Step J	11.95	12.95	12.95	13.45	14.45	15.45
Unarmed Officer - Step K	12.00	13.00	13.00	13.50	14.50	15.50
Unarmed Officer - Step L	12.10	13.10	13.10	13.60	14.60	15.60



Minimum Wage: Security Procurement

- Presented to MTS Board of Directors (July 2016) and Budget Development Committee (October 2016)
- Board / BDC direction
 - Revisit current methodology for more cost effective options
 - More aggressive approach in order to control costs yet comply with minimum wage laws
 - Eliminate the progression structure
 - Salary rates currently above the minimum wage rates are frozen
 - The upper portions of the progression and certain employee types
 - Minimum wage to drive increases.



Minimum Wage: Security Procurement

- Negotiations with UPS (October 2016 - January 2017):
 - Topics:
 - Special Event Assistants, Unarmed Officers and Armed Officer pay rates.
 - Progression modification to simpler flat structure
 - Retention, ability to hire and train, UPS union negotiations
 - Results:
 - Total negotiated contract value: \$43,854,712.
 - \$4.8M above original contract
 - \$1.1M below UPS modified contract proposal
 - Special Event Assistants at minimum wage
 - Unarmed Officers at \$.50 above minimum wage
 - Armed Officers at \$1.50 above minimum wage



Minimum Wage: Security Procurement

- Resulting analysis through negotiations

<i>Position</i>	<i>Progression Steps</i>	<i># of FTE</i>	<i>Range of Pay Effective 7/7/2016</i>	<i>Total Costs By Category</i>
Special Events Officers	1	7	\$10.50	\$ 1,271,998
Unarmed Officers	11 to 1 by Jan 2019	83	\$11.00 - \$12.10	16,137,590
Armed Officers	7 to 1 by 2021	85	\$11.50 - \$14.08	18,091,703 **
Armed Courier Service	1	1	\$11.50	181,354
Armed Sergeant (Supervisors)	13	14	\$14.51 - \$17.85	3,244,748
Armed Lieutenant (Managers)	1	2	\$20.00	615,881
Dispatch / CCTV Officer	1	1	\$18.50	273,882
Armed Captain	1	1	\$34.61	512,430
Other Contract costs				3,525,127

Total FTE **194** **\$ 43,854,712**

*Reflects beginning of fiscal year rates as chart is broken out by fiscal year and increases are on January of each year. Calculations incorporate mid-fiscal year increases.

**Armed officers begin receiving \$1.50 above minimum on 1/1/2017.



Minimum Wage: Security Procurement

- Other Notes:
 - UPS currently in union negotiations and are hopeful that actual pay rates (especially for armed officers) will be agreed upon
 - Internal efforts to streamline operations, efficiency and deployment reconfiguration of internal and contracted officers has been undertaken.



Transit Enforcement Components

- Contractor Security Officers (UPS):
 - 194 Personnel (allocated)
 - Armed Officers = 85 FTE
 - Unarmed Officers = 83 FTE
 - Private Person's arrest - 837 PC
- MTS Code Compliance Inspectors (CCI):
 - 34 Personnel
 - Public Officers with Powers of Arrest



Staffing Proposal Change

- Reduce the Number of Contract Security Officers by 50
 - Contracted Officers
- Increase the Number of Code Compliance Inspectors (CCI) by 30
 - MTS Employees
 - By eliminating the barrel day for CCI's and making changes to the deployment schedule, we can increase the uniform presence during Day Watch, essentially maintain the same uniform presence during Night Watch, and triple our enforcement capability/authority.



Adjustment of Resources (FTE)

Transit Enforcement Employees	Current Number of FTE	Proposed Number of FTE	Variance Number of FTE
T.E. Inspectors	21.0	51.0	30.0
T.E. Supervisors	13.0	13.0	0
Total MTS Employees	34.0	64.0	30.0
UPS Contract Security	Current Number of FTE	Proposed Number of FTE	Variance Number of FTE
Unarmed Officers *	84.0	57.0	(27.0)
Armed Officers	85.0	65.0	(20.0)
Armed Courier Service	1.0	1.0	-
Armed Captain	1.0	1.0	-
Armed Lieutenant (Manager)	2.0	2.0	-
Armed Sergeant (Manager)	14.0	11.0	(3.0)
Special Events Officers	7.0	7.0	-
Total UPS Contract FTE	194.0	144.0	(50.0)
Total Enforcement Staff	228.0	208.0	(20.0)

* Includes the Dispatch / CCTV officer



Day Watch Staffing Tables

CURRENTLY				PROPOSED			
	Inspectors & Officers				Inspectors & Officers		
	MTS CCI	UPS	Totals		MTS CCI	UPS	Totals
Sunday	5	34	39	Sunday	12	29	41
Monday	5	34	39	Monday	14	29	43
Tuesday	5	34	39	Tuesday	14	29	43
Wednesday	10	68	78*	Wednesday	14	58	72
Thursday	5	34	39	Thursday	14	29	43
Friday	5	34	39	Friday	14	29	43
Saturday	5	34	39	Saturday	14	29	43
* Barrel Day				Average Daily CCI Variance 12 to 14			

** A train team consists of one UPS Officer and One MTS CCI



Night Watch Staffing Tables

	CURRENTLY			PROPOSED		
	Inspectors		& Officers	Inspectors		& Officers
	MTS CCI	UPS	Totals	MTS CCI	UPS	Totals
Sunday	5	45	50	13	34	47
Monday	5	45	50	15	34	49
Tuesday	5	45	50	16	34	50
Wednesday	10	90	100*	16	68	84
Thursday	5	45	50	17	34	51
Friday	5	45	50	16	34	50
Saturday	5	45	50	15	34	49
	* Barrel Day			Daily CCI Variance	13 to 17	

** A train team consists of one UPS Officer and One MTS CCI



Deployment Plan

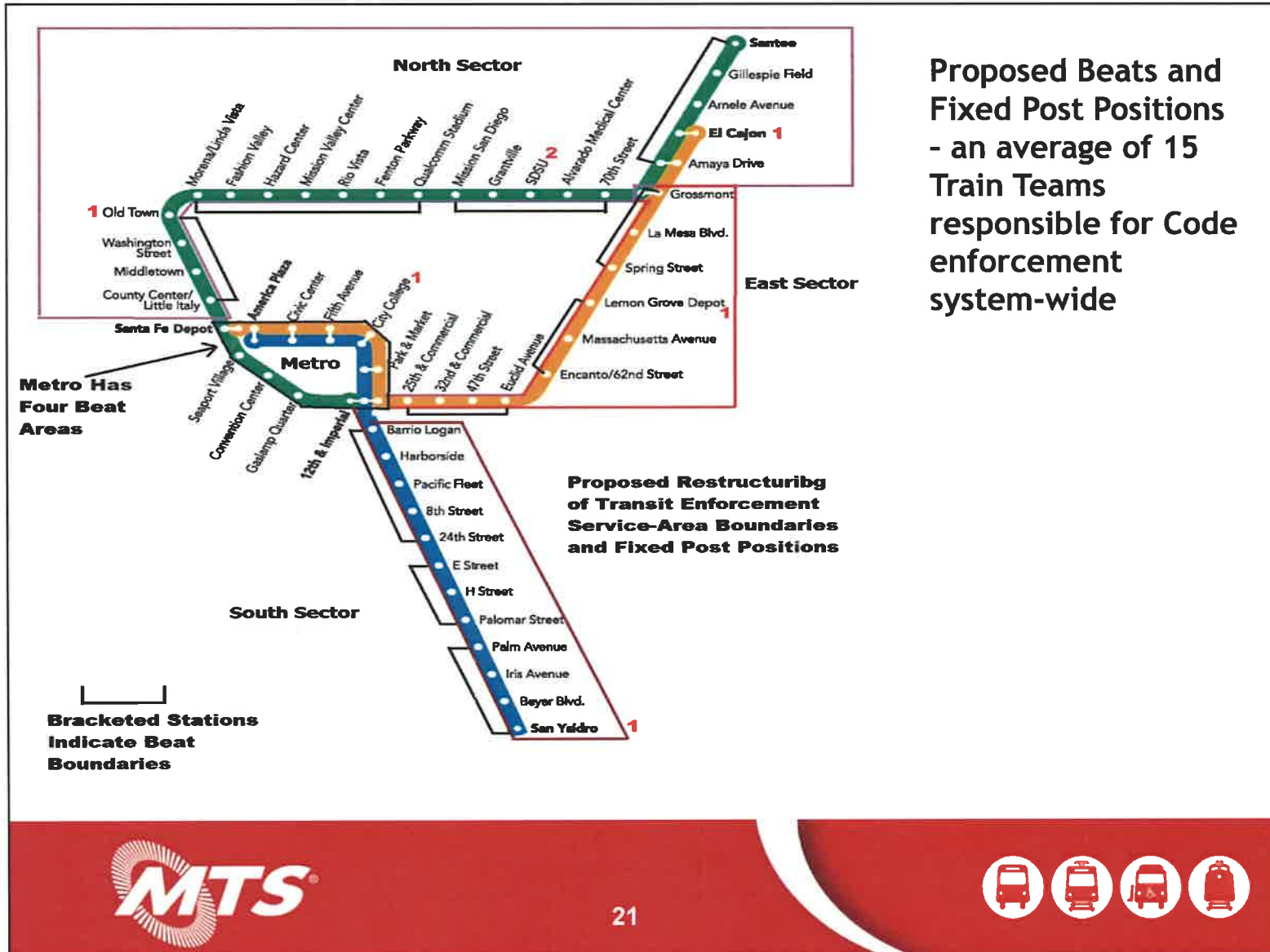
- Implement Service Area (Sectors) and Beat Structure model
- Train Teams will be responsible for their respective beats (generally 3 - 5 stations)
- Maintain fixed post assignments at the busiest Transit Stations





**Current Day Watch
Fixed Post Positions
(TSS officers) - 5
Train Teams
responsible or all
Code enforcement
System-wide**





Proposed Beats and Fixed Post Positions - an average of 15 Train Teams responsible for Code enforcement system-wide



Budget Impact

	<u>FY-18</u>	<u>FY-19</u>	<u>FY-20</u>	<u>FY-21</u>	<u>Total</u>
Internal CCI Additions (30 FTE)	\$ 1,691,635	\$ 1,742,208	\$ 1,794,624	\$ 1,848,288	\$ 7,076,755
Projected Overtime Savings	(100,000)	(100,000)	(100,000)	(100,000)	(400,000)
Start up Costs	209,970	-	-	-	209,970
<i>Total Internal Costs</i>	<i>1,801,605</i>	<i>1,642,208</i>	<i>1,694,624</i>	<i>1,748,288</i>	<i>6,886,725</i>
<i>UPS 50 Personnel Reduction</i>	<i>(1,873,676)</i>	<i>(1,906,595)</i>	<i>(2,007,246)</i>	<i>(2,146,723)</i>	<i>(7,934,240)</i>
Budget Cost / (Savings)	\$ (72,071)	\$ (264,387)	\$ (312,622)	\$ (398,435)	\$ (1,047,515)

UPS Proposed Contract	\$ 43,854,712
UPS Personnel Reduction	(7,934,240)
Modified Contract	\$ 35,920,472

- The proposed staffing plan would increase internal costs by \$6.9 million and reduce UPS contract by \$7.9 million saving MTS \$1.05 million.
- Plan would modify contract with UPS from \$43.9 million proposed to \$35.9 million.



Benefits

- Increased uniform presence/visibility on-board trolleys and Transit Stations - improved perception of security
- Increased enforcement of MTS ordinances and transit related laws - reduce fare evasion
- Better trained, career-minded employees - improved professionalism
- Eliminates need for the Eagle Team - eliminates Eagle Team overtime
- Improves personnel retention
- Projected savings of over \$1 million



Minimum Wage Presentation / Security Services Contract / Alternative Deployment of Enforcement Operations

MTS Budget Development Committee

January 31, 2017





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Agenda Item No. 4C

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

January 31, 2017

SUBJECT:

OPERATING BUDGET DISCUSSION (MIKE THOMPSON)

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Budget Development Committee receive a report regarding the status of the operating budget and provide guidance on budgetary issues.

Budget Impact

None at this time.

DISCUSSION:

Staff will review key assumptions and year to date progress for the fiscal year 2017 (FY17) operating budget, particularly sales tax receipt trends and passenger fare revenue trends. Staff will also review overall expense assumptions and provide an updated operating budget projection for FY17.

A handwritten signature in black ink, appearing to read "Paul C. Jablonski", is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Mike Thompson, 619.557.4557, mike.thompson@sdmts.com



Metropolitan Transit System Operating Budget Update

Budget Development Committee
January 31, 2017



FY17 Operating Revenue - December YTD

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>VAR %</u>
Fare Revenue	\$ 47,361	\$ 51,064	(\$3,703)	-7.3%
Other Operating Revenue	7,427	7,149	278	3.9%
Operating Revenue	\$54,788	\$58,214	(\$3,425)	-5.9%

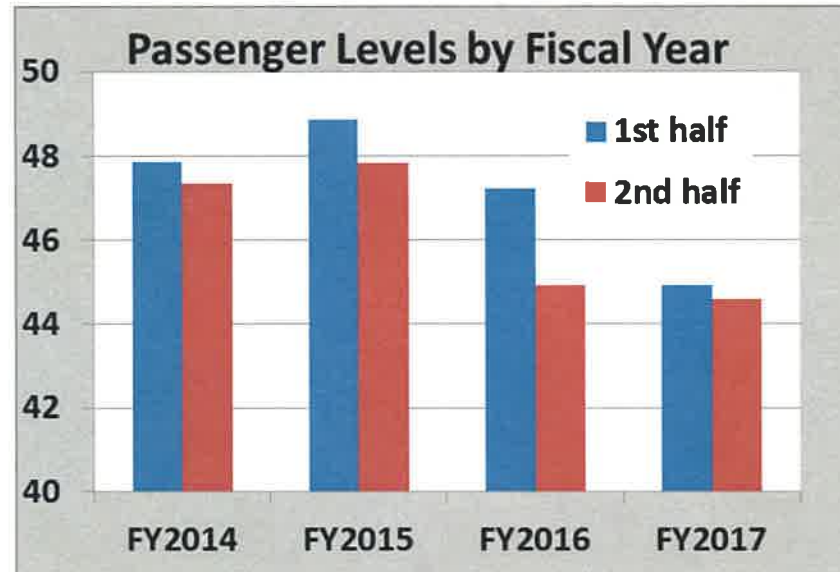
- **Passenger Fare Revenue**

- FY17 Budget was flat with FY16 amended budget
 - Now need 2.9% growth to hit FY17 target, \$2.9M
- December YTD revenue down 5.8% year over year (Y/Y)
- November YTD ridership down Y/Y by -4.3%



FY17 Passenger Revenue Forecast

- Passenger Fare Revenues Forecast
 - 2nd half of FY16 is when the decline started
 - Using these levels as the new baseline
 - Forecasted passenger levels of 89.5M (3.0% drop Y/Y)
 - Results in revenue forecast of \$94.7M
 - \$6.1M unfavorable to budget
 - \$3.9M unfavorable Y/Y (-4.0%)
 - If slide continues, potentially another \$1-2M drop Y/Y



FY17 Operating Expenses - December YTD

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>VAR %</u>
Personnel Costs	\$ 63,882	\$ 65,231	\$ 1,349	2.1%
Purchased Transportation	34,710	35,039	329	0.9%
Other Outside Services	12,156	12,821	665	5.2%
Energy	13,614	14,377	763	5.3%
Other Expenses	9,527	10,033	506	5.0%
Operating Expenses	\$ 133,889	\$ 137,501	\$ 3,611	2.6%

- Consistent early trends:
 - Personnel: Favorable primarily in Healthcare and Pension costs
 - Energy: Shift away from Diesel and Gasoline
 - Other Outside Services: Timing more than true savings



FY17 Expenses

- Remainder of the year assumptions
 - Anticipate continued savings in:
 - Personnel: Favorable healthcare and pension costs
 - Purchased Transportation: Paratransit certification, Fixed Route performance standards
 - Energy: Propane fuel vs gas, facility electrical costs
 - Staff has been proactive in holding costs down
 - Anticipate additional costs for:
 - Storm water drainage assessments, monitoring and remediation - Not included in original budget
 - Other Outside Services closer to budget



FY17 Operating Results - December YTD

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>VAR %</u>
Operating Revenues	\$ 54,788	\$ 58,214	\$ (3,425)	-5.9%
Operating Expenses	133,889	137,501	3,611	2.6%
Net Operating Loss	\$ (79,101)	\$ (79,287)	\$ 186	0.2%

- Net Operating Results

- On budget over the first six months
- Favorable expense results offsetting unfavorable passenger revenues
- Before impact of Subsidy revenues



FY17 Operating Results - Forecast

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>VAR %</u>
Fare Revenue	\$ 94,709	\$ 100,809	(\$6,100)	-6.1%
Other Operating Revenue	14,654	14,259	395	2.8%
Operating Revenue	\$109,363	\$115,068	(\$5,705)	-5.0%
Personnel Costs	\$ 127,311	\$ 129,961	\$ 2,650	2.0%
Purchased Transportation	69,437	70,066	629	0.9%
Other Outside Services	26,093	26,355	262	1.0%
Energy	27,543	28,705	1,162	4.0%
Other Expenses	18,638	19,374	736	3.8%
Operating Expenses	\$ 269,022	\$ 274,461	\$ 5,439	2.0%
Net Operating Loss	\$ (159,659)	\$ (159,393)	\$ (266)	-0.2%

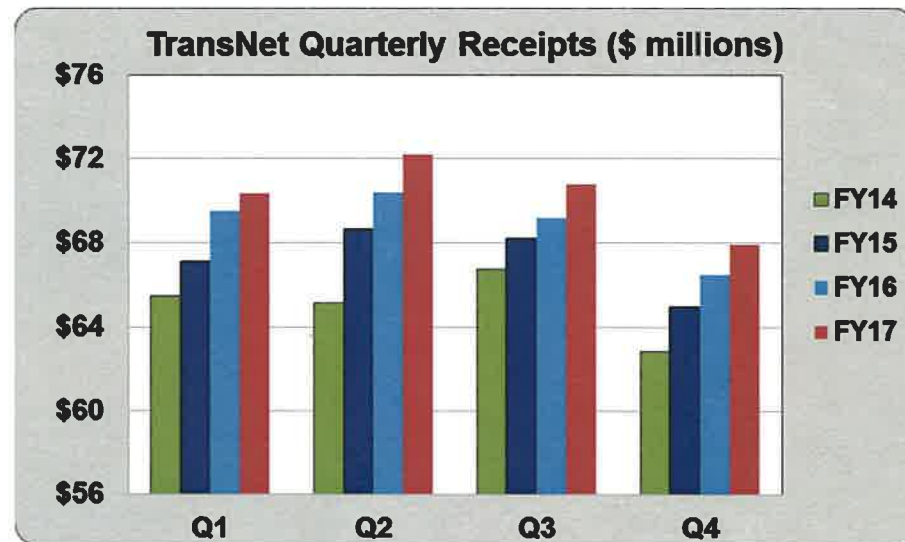
- Close to breakeven within Operating Activities
- Ability to control expenses will be the key
- Before impact of Subsidy revenues



FY17 Subsidy Revenues

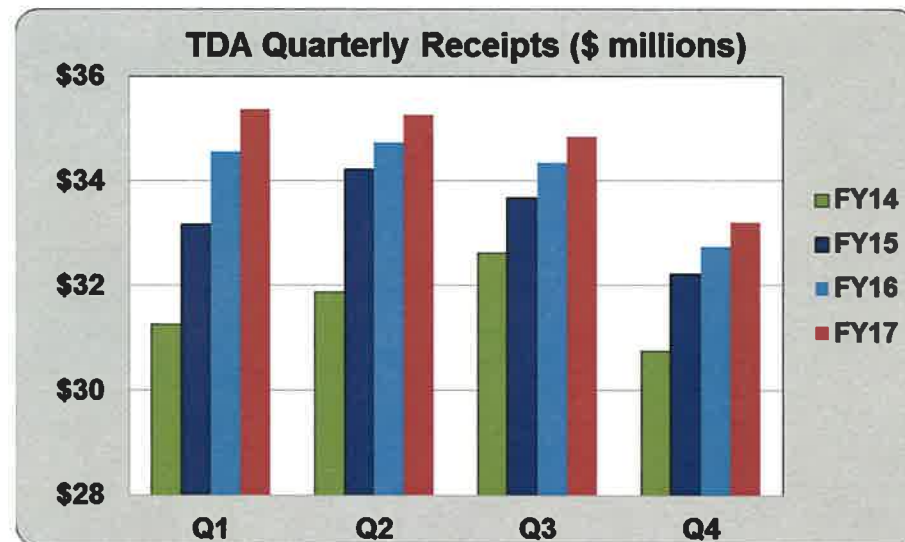
- **TransNet**

- FY17 Budget based on 3.5% growth on FY16 Budget
 - FY16 actual was 2.5% year over year growth
 - To hit target revenue figure, need 4.5% growth in FY17
- YTD 1.6% Y/Y
- Projecting 2.1% Y/Y
- \$800K decrease in MTS formula revenue
- SANDAG projection of 2.5% for FY18



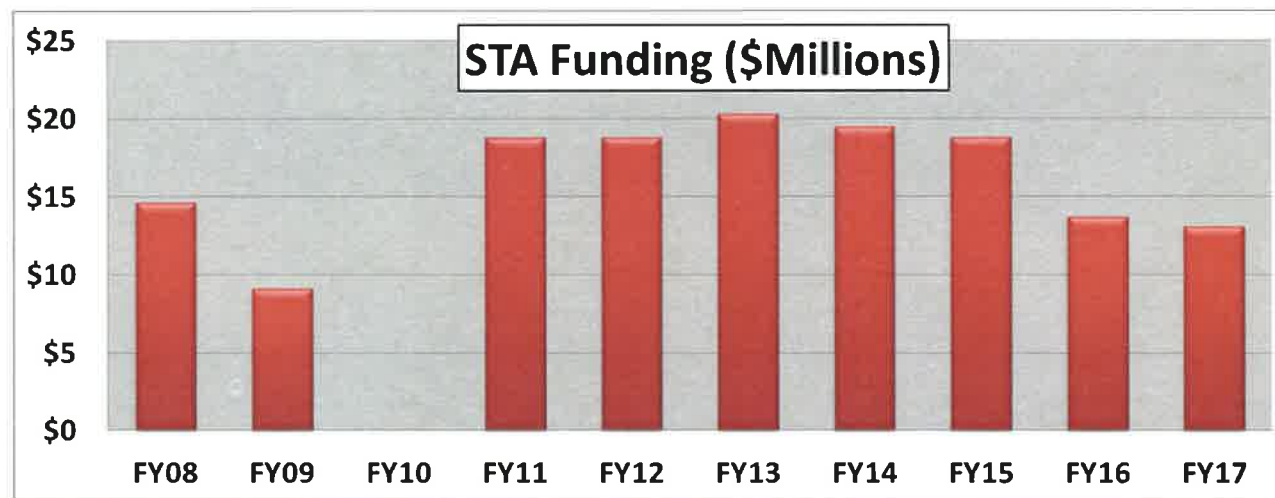
FY17 Subsidy Revenues

- Transportation Development Act (TDA)
 - FY17 Budget based on 5.0% growth on FY16 Budget
 - FY16 actual was 2.3% year over year growth
 - To hit target revenue figure, need 6.2% growth in FY17
 - Reserve at County level used to balance funding for MTS/NCTD
 - No reserves for FY18
 - FY18 revenue budget will be similar to FY17



FY17 Subsidy Revenues

- State Transit Assistance (STA)
 - Projected each year by the State Controller's Office (SCO)
 - Primarily used in the Capital Budget, but \$3.6M has been directed to the Operating Budget since FY13 (Sunday service)
 - FY17 Budget: \$14.5M - \$10.9M in Capital, \$3.6M in Operations
 - Revised forecast by the SCO, \$13.1M, \$1.4M unfavorable, amend CIP



FY17 Subsidy Revenue Forecast

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>VAR %</u>
Federal	\$ 56,871	\$ 56,871	\$ -	0.0%
TDA	60,030	60,030	-	0.0%
TransNet	36,681	37,481	(800)	-2.1%
STA	3,600	3,600	-	0.0%
Other	2,599	3,099	(500)	-16.1%
Non-Operating Revenue	\$ 159,781	\$ 161,081	\$ (1,300)	-0.8%

- Federal will be at budget
- Other
 - Fastrak revenue unfavorable by \$500K (\$1M budgeted)



FY17 Operating Budget Forecast

	ACTUAL	BUDGET	VARIANCE	VAR %
Operating Revenues	\$ 109,363	\$ 115,068	\$ (5,705)	-5.0%
Operating Expenses	269,022	274,461	5,439	2.0%
Net Operating Loss	\$ (159,659)	\$ (159,393)	\$ (266)	-0.2%
Non-Operating Revenues	159,781	161,081	(1,300)	-0.8%
Net Debt Service Expenses	(1,688)	(1,688)	-	0.0%
Carryover from FY16	2,000	-	2,000	
Revenues Less Expenses	\$ 434	\$ (0)	\$ 434	

- \$1.6M deficit before carryover funding
- Primary concerns:
 - Passenger revenue continuing to erode
 - Non-operating revenues: TransNet formula and STA
 - How much savings can be realized within expenses?



Preliminary FY18

- FY18 concerns
 - \$1.6M structural deficit coming into the year
 - Limited revenue growth
 - Passenger revenue growth?
 - TDA revenue will be flat due to reserves in FY17
 - TransNet revenue projected to grow by 2.5%
 - STA revenue?
 - Increasing expenses
 - Energy costs as commodities rise
 - Risk settlement increases
 - Forecasting \$5-8M deficit to be addressed



Preliminary FY18

- FY18 options for a \$5-8M deficit
 - Reserve utilization, though not recommended
 - Anticipate additional revenues for sales tax or passengers or new programs at the state level
 - Raise fares to generate revenue (Fare Study)
 - Adjust service to reduce expenses (TOP analysis)
 - Adjust the revenue sharing between Capital and Operations
- Further discuss at February BDC meeting



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