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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

DRAFT

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.

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: *Christina*

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: *Fairchild*

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



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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.

Paul C. Jablonski
Chief Executive Officer

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

