

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

February 22, 2018

MINUTES

1. ROLL CALL

Chairman Roberts called the Budget Development Committee (BDC) meeting to order at 9:02 a.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Ms. Gomez moved to approve the minutes of the May 2, 2017 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. McClellan seconded the motion, and the vote was 5-0 in favor, with no one absent.

3. PUBLIC COMMENTS

There were no public comments.

4.a. Appointment of Committee Chairman and Vice Chairman

Ms. Gomez moved to nominate Mayor Salas as Committee Chair and Mayor Salas nominated Mr. Roberts as Vice Chairman.

Action Taken

The vote for Mayor Salas as Committee Chair was 4-0 in favor with Chair Salas abstaining. The vote for Mr. Roberts as Vice Chairman was 4-0 in favor with Mr. Roberts abstaining.

4.b. Fiscal Year (FY) 2018 Midyear Adjustment (Mike Thompson)

Paul Jablonski, Chief Executive Officer summarized the agenda for the meeting. He stated that an overview of the fiscal projections would be provided, then the capital budget would be discussed, with the fare study discussion following after, and then ending with the ballot measure.

Mike Thompson, Director of Financial Planning and Analysis, spoke about the revenue assumptions involving passenger levels. He said that ridership peaked at 96.7 million in FY15, followed by three years of decline. He said that the revenue was \$3.2 million unfavorable in December year-to-date, and that they were projecting \$5.2 million unfavorable for the full fiscal year, assuming that the decline would continue. Mr. Thompson spoke about other operating revenue, including energy credit revenues, which were expected to increase by \$1.7 million, and a total increase of other operating revenue by \$2.6 million at midyear. He stated that State Transit Assistance was projected to increase by \$1 million

for the Transit Optimization Plan. He said that the total revenue was favorable by \$1.2 million in the amended budget.

Mr. Thompson spoke about the FY 18 midyear expenses assumption summary. He stated that personnel costs were unfavorable by \$635,000, and fringe benefits were unfavorable in fringe benefits. He said that the total expenses were unfavorable by \$1.2 million. Mr. Thompson noted that \$5 million of TDA (Transportation Development Act) funds from Capital were still being used to balance the FY18 budget.

Mr. Alvarez suggested that the presentation slides consistently state the dollar amount, if it is unfavorable or favorable, and what it is unfavorable or favorable in.

Action Taken

Mr. Alvarez moved to forward the following recommendation to the MTS Board of Directors: approve the Combined MTS FY 2018 Midyear Budget Amendment. Vice Chairman Roberts seconded the motion, and the vote was 5-0 in favor.

4.c. Fiscal Year 2019 Operating Budget Discussion (Mike Thompson)

Mr. Thompson said that he would be presenting a high level projection and assumptions. He said that they are seeing slowing growth in sales tax receipts revenue (TDA/TransNet). He said that they were not projecting any organic ridership growth and not projecting any fare increases. Mr. Thompson stated that there would be an additional \$300,000 in other operating revenue for Green Line Naming Rights. On the expense side, Mr. Thompson said service levels would be increasing by 1.7% per the Transit Optimization Plan (TOP).

A discussion regarding Uber and private ridesharing services ensued. Mr. Jablonski said it was something to think about. Sharon Cooney, Chief of Staff, said the services are similar to MTS's former demand-and-respond services, which were not cost-effective and difficult to manage. Ms. Cooney said they have been trying to see how they can fit micro-transit into MTS's services in a cost-effective way.

Mr. Thompson stated that diesel/gasoline/propane commodity prices increase of 4-5% year over year were built into the budget. He said that the risk budget was brought down to normal levels in FY19, and assumptions of a 3% increase in other expense categories for general inflation were included. He said that the revenues less expenses resulted in a deficit of \$4.4 million, and including the \$5 million from Capital, that resulted in a \$9.4 million structural deficit projection. Mr. Thompson presented the proposed calendar for the Budget Development meetings in FY 19.

Mr. Alvarez recommended including a minimum level of projected ridership growth increase, instead of projecting no increase.

4d. Fiscal Year 2019 Capital Improvement Program (Mike Thompson)

Mr. Thompson started with the goals and philosophy of the Capital Improvement Program (CIP). He discussed the recurring revenues, including federal funding and TDA funding. He said that they were projecting \$78.3 million in federal funding for FY 19 (with \$19.6 million for CIP), and projecting \$34.4

million in TDA funding for CIP. He discussed non-recurring revenues, including Cap-and-Trade Low Carbon Transit Operations Program (LCTOP) funding, for which \$3 million was programmed. He said that almost \$82 million of funding was available for CIP.

Mr. Thompson explained that the CIP was developed beginning October with the request for projects. He said the Capital Projects Review Committee (CPRC) met to discuss the priority project list, and the Chief Executive Officer (CEO) approved the prioritization of the capital requests. Mr. Thompson went over the CIP project highlights, including replacement of bus revenue vehicles at the end of their useful lives, for \$25 million.

Mr. Thompson said that \$5.8 million of funding was proposed in FY 19 for a new bus maintenance facility. Mr. Jablonski spoke about the pressures to move Imperial Avenue Division (IAD) bus yard, and looking at land for sale. Ms. Gomez asked about doing a land swap, and Karen Landers, general counsel, responded that they would have to identify a specific property and then determine if the owner was willing to swap. Vice Chairman Roberts and Mr. Alvarez agreed that condemnation should be considered if needed.

Mr. Alvarez suggested having the Capital Improvements projects all together on one list, and including the prioritization information.

Action Taken

Chair Salas moved to forward the following recommendation to the MTS Board of Directors:

1. Approve the fiscal year 2019 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels (Attachments A and B). As the federal appropriation figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels;
2. Recommend that the San Diego Association of Governments (SANDAG) Board of Directors approve the submittal of Federal Section 5307, 5337 and 5339 applications for the MTS fiscal year 2019 CIP (shown in Attachment A);
3. Recommend that the SANDAG Board of Directors approve amendment number 12 of the 2016 Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2019 CIP recommendations.

Mr. Alvarez seconded the motion, and the vote was 5-0 in favor.

4e. Fare Study (Sharon Cooney and Israel Maldonado)

Sharon Cooney, Chief of Staff, spoke about the goals of the Regional Fare Study. Ms. Cooney said the package proposals will ultimately be taken to the public, the MTS Board, as well as the SANDAG Board. She said that these goals included simplifying the fare structure and minimizing ridership loss. Israel Maldonado, Fare Systems Administrator, explained that MTS fares were lower than other transit agencies' fares, on average. He explained the 5 new proposed package options. He said that all packages included removing the 2, 3, 4 and 14 day passes, removing the MTS rural 2 zone, removing the trolley transfer, and adding a \$3 regional SDM (senior/Medicare/disabled) day pass. He also mentioned a prospective new 3-hour \$3 pass, but said the fare study consultant did not recommend it. Chair Salas added that the 3 hour ticket did not seem practical. Ms. Cooney explained the proposed changes in packages 3 and 4 were suggested by MTS, which included a combined discount for SDM and youth to 66% for both, as well as raising the senior age from 60 to 65 years old.

Mr. Alvarez voiced his concern about the elimination of trolley transfers. Mr. Jablonski said this is to promote the purchase of day passes. Mr. Alvarez said he agreed that the senior age should be moved up, and liked the idea of the senior and youth discount. Ms. Gomez stated that she is cautious about the trolley transfer removals. Ms. Cooney said this would mostly just affect people who are not taking a round trip on the trolley. Ms. Gomez asked about lowering fees during holidays. Ms. Cooney responded that it would be very challenging to change the fares for one day. Chair Salas said that it would be impractical to change the fare prices for a short amount of time. Ms. Cooney stated they would like to bring these changes to the public in April.

4f. AB 805: Ballot Measure (Sharon Cooney)

Mr. Jablonski explained that the MTS Board sought the ability to levy a sales tax, and AB 805 gave MTS that ability. Mr. Jablonski said that the process includes creating a Board ad hoc committee, and hiring consultants. Mr. Alvarez suggested researching how the ad hoc committee will be formed, and then Ms. Gomez would put together the ad hoc committee.

5. Adjournment

Chair Salas adjourned the meeting at 11:27 a.m.

/s/ Mary Salas
Chair of the Budget Development Committee

/s/ Iris Chen
Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet