

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

02/28/2020

MINUTES

1. ROLL CALL

Ms. Salas called the Budget Development Committee (BDC) meeting to order at 1:10pm
A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Arambula moved to approve the minutes of the March 28, 2019 San Diego
Metropolitan Transit System (MTS) BDC meeting. Mr. Sandke seconded the motion, and
the vote was 4 to 0 in favor, with Ms. Moreno absent.

3. PUBLIC COMMENTS

Nate Fairman – Business Manager of International Brotherhood of Electrical Workers
(IBEW) Local 465 presented his public comments. Mr. Fairman expressed his concerns
in regards to the electric bus hazard, and the safety of employees while working on the
electric buses. His request was a 1% mechanic equity wage increase for the safety
exposure while working on the electric buses.

4. Appointment of Committee Chairperson and Vice Chair Person (Mike Thompson)

Mr. Fletcher moved to nominate Mayor Salas as Committee Chairperson and Mr.
Arambula seconded the motion.

Mr. Fletcher moved to Nominate Mr. Sandke as Vice Chairperson and Mr. Arambula
seconded the motion.

Action Taken

The vote for Mayor Salas as Committee Chairperson was 3-0 in favor, with Mayor Salas
abstaining and Ms. Moreno absent.

The Vote for Mr. Sandke as Vice Chairperson was 3-0 in favor, with Mr. Sandke
abstaining and Ms. Moreno absent.

5. Fiscal Year 2020 Operating Budget Midyear Amendment (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis gave an overview of the
Fiscal Year (FY) 2020 Operating Budget Midyear Amendment.

Mr. Thompson presented a PowerPoint showing Planned Service Improvements, Revenue Assumptions, and Expense Assumptions.

Planned Service Improvements include a pilot launched in January for increased rail service along the Blue Line, as well as a proposed bus service increases that will be targeting the September service change. Mr. Thompson informed that the San Diego Association of Governments (SANDAG) has a \$72M commitment for funding of the SD100 Light Rail Vehicle (LRV) replacement project, which will free up some money from the capital program to fund these service improvements for five years. Subsidy revenue is increasing by \$3.7M in total with the midyear amendment, with the increase coming from various sources, including a TDA transfer from the Capital Improvement Program (CIP) for Blue Line rail service, TransNet and Medi-Cal. The reserve revenue budget is increasing by \$474K, with most of the increase due to additional expenses for the Ballot Measure project which is being funded by the contingency reserve.

Mr. Thompson discussed revenue assumptions involving passenger levels. FY20 ridership is projected at 87.2 million passengers, which is a 2.2% increase over FY19. Revenue was \$18K unfavorable to budget through December 2019, and is projected to be unfavorable to budget by \$767K. Other operating revenue, including energy credit revenues, is expected to increase by \$1.9 million, primary due to the state Low Carbon Fuel Standard (LCFS) credits. Mr. Thompson gave an overview of advertising revenues which are projected to increase by \$450K, primarily due to bus shelter revenue increasing by \$245K and vehicle and master concessionaire advertising revenue increasing \$205K.

Mr. Thompson reviewed the FY20 midyear expenses assumption summary. He stated that personnel costs are increasing by \$292K and gave a summary of the position changes. Wage expenses are projected to increase by \$965K due to Trolley Operator wages for the Blue Line service increase, supervisor wage increases for Bus Operations, and Administration wage adjustments. Fringe benefit costs are decreasing by \$673K. Outside services costs are projected to increase by \$2.6M, due to increases in security costs, repairs and maintenance costs, Ballot Measure expenses, and purchased transportation. Materials and supplies are unfavorable by \$845K primarily due to Bus Operations increasing by \$670K and Rail Operations increasing by \$169K.

Action Taken

Ms. Moreno moved to forward a recommendation to the MTS Board of Directors to enact Resolution No. 20-6 amending the FY20 operating budget. Mr. Sandke seconded the motion, and the vote was 5 to 0 in favor.

6. Fiscal Year 2021 Operating Budget Discussion (Mike Thompson)

Mr. Thompson presented high-level projections and assumptions of the FY21 Operating Budget. Preliminary projections have Passenger Revenues increasing by \$2.4M, with no other major changes within Operating Revenues. Subsidy Revenue projections will continue to include \$11.3M of STA from Capital in the Operating Budget, and SANDAG

is projecting continuing growth in sales tax receipts resulting in increased Transportation Development Act (TDA) and TransNet revenues.

The Blue Line service increase is projected to increase Rail Operations costs by \$5.7M in FY21. Staff is also currently planning to increase Bus service by \$6.0M, with a plan to increase span and frequency on existing routes. ADA Paratransit demand is currently projected to decrease by 4.0%.

On the expense side, Personnel cost increases will consist of Management merit increases at 3.0%, collectively bargained increases, healthcare costs projected to increase by 5%, San Diego Transit self-funded pension plan increasing by \$847K, and CalPERS pension costs increasing in total by \$991K. The contracted rates for Purchased Transportation are known at this point, with the Fixed Route Transdev rate increasing by 2.6%, ADA – First Transit rate increasing by 5.7% and Minibus – First Transit rate increasing by 3.7%. In summary, the preliminary projection reflects a \$2.1M deficit that will need to be bridged during budget development.

Mr. Thompson then presented a recessionary model. Based on the actual results of previous recessions, the average cost of a recession could be \$17M annually. He then presented the responses management has used in the past when faced with significant revenue shortfalls.

Action Taken

No action was taken. Informational item only.

7. Fiscal Year 2021 Capital Improvement Program (Mike Thompson)

Mr. Thompson gave an overview with a PowerPoint presentation to discuss the FY21 Capital Improvement Program (CIP). He started with a historical trend of funding for the CIP and the projected funding need over the next 20 years. Federal Revenue is anticipated to decrease by \$6.8M in FY21 for a total of \$78.8M, with \$16.2M for CIP and \$62.6M for Preventive Maintenance. TDA revenue is projected at \$26.5M for CIP. Recurring Revenue from the Cap and Trade Low Carbon Transit Operations Program (LCTOP) for FY20 is \$225,000 in the current CIP, and staff will carry over \$6.0M to FY22 CIP for future Zero Emission Bus (ZEB) purchases. There are also non-recurring revenues in the CIP, including a Cap and Trade Transit and Intercity Rail Capital Program (TIRCP) award of \$40.1M, \$10.8M of which is included in the FY21 CIP, and Federal Regional Surface Transportation Program (RSTP) funding from SANDAG, which will be \$72.0M in total over FY21-FY25 and \$20.0M included in the FY21 CIP.

Mr. Thompson went over the FY21 projects that will be funded and explained priority 1 projects will be addressed first, which includes safety and operational needs projects. Mr. Thompson went over the Next Generation Fare System Upgrades that is scheduled to go live in the Spring of 2021. He discussed revenue vehicle replacement needs for both Bus and Rail. In total, 46 projects will be funded, totaling \$100.2M.

Action Taken

Ms. Salas moved to forward a recommendation to the MTS Board of Directors to:

1. Approve the fiscal year 2021 CIP with the estimated federal and nonfederal funding levels. 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

Mr. Arambula seconded the motion, and the vote was 5 to 0 in favor.

Mr. Fletcher moved to forward a recommendation to the MTS Board of Directors to:

2. Recommend that the SANDAG Board of Directors approve the submittal of Federal Section 5307, 5337 and 5339 applications for the MTS fiscal year 2021 CIP
3. Recommend that the SANDAG Board of Directors approve amendment number 10 of the 2018 Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2021 CIP recommendations.

Mr. Sandke seconded the motion, and the vote was 5 to 0 in favor.

8. Next Meeting Date:

Friday April 3, 2020 at 1:00pm

9. Adjournment

Ms. Salas adjourned the meeting at 2:30pm

/s/ Mary Salas
Chair of the Budget Development Committee

/s/ Lucia Mansour
Clerk of the Budget Development Committee

Attachment: Roll Call Sheet

BUDGET DEVELOPMENT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) 02/28/2020

CALL TO ORDER (TIME) 1:10PM

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 2:30PM

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ARAMBULA <input checked="" type="checkbox"/>	12:45	2:30
FAULCONER <input type="checkbox"/> MORENO <input checked="" type="checkbox"/>	1:30	2:30
FLETCHER <input checked="" type="checkbox"/>	1:00	2:30
SALAS <input checked="" type="checkbox"/>	1:00	2:30
SANDKE <input checked="" type="checkbox"/>	1:00	2:30

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE:



CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

N/A