

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

March 26, 2018

MINUTES

1. ROLL CALL

Chair Salas called the Budget Development Committee (BDC) meeting to order at 9:08 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 February 22, 2018 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. McClellan seconded the motion, and the vote was 3-0 in favor, with no one absent.

3. PUBLIC COMMENTS

There were no public comments.

4.a. MTS Energy Programs (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, stated that he would be presenting a deeper dive into the energy program. He said that the energy program made up \$26.4 million of the budget in fiscal year (FY) 2018. Mr. Thompson said that the energy program policy enables MTS to purchase natural gas and electricity commodities directly from a third party service provider instead of San Diego Gas & Electric (SDG&E). He added that this has no impact on operations because gas and electricity were still delivered by SDG&E. He stated that in FY 2017, commodity rates were 18% cheaper for natural gas, and 55% cheaper for electricity. He stated that the low commodity costs continued to be offset by SDG&E cost increases. Ms. Gomez asked why the costs were so high, and Mr. Thompson explained that SDG&E changes their rates based on their costs from the California Public Utilities Commission (CPUC). He said that by using biogas, MTS generates energy credits, which are sold to BP at index rates. He stated that the credit prices for the federal side have continued to increase, while the credit prices for the state side have fluctuated dramatically. Mr. Thompson then spoke about electricity, and said that SDG&E cost per kilowatt hour (kWh) has risen by 55%. He compared the cost per mile of using electricity for buses versus natural gas. The cost for natural gas was \$0.08 per mile, and the cost for electricity was \$0.30 cent per mile. He stated that 209 total fixed route and paratransit minibuses used propane, which resulted in cost savings versus using gasoline. Mr. Thompson gave an overview of hedging (fixing prices) commodity rates to achieve budget certainty, and said that MTS has not hedged since FY 2012 natural gas.

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

Mr. Thompson reviewed the FY 2019 operating budget development process. He explained that the process started in January, and that MTS uses a zero based budgeting process. He discussed the revenue assumptions, and summarized the federal subsidies. He said that TDA and TransNet formula funding was projected to grow for the 9<sup>th</sup> straight year; 2% growth was estimated for TDA, and 3% for TransNet in FY 2019. He said that \$5.6 million of State Transit Assistance was included in the operating budget, and the remainder was placed in the capital side. He said that for FY 2019, an increase of 1.4 million in ridership was projected. With no additional revenue from fare increases included, this would result in a \$1.4 million increase in passenger revenue. He spoke about the assumptions regarding service levels, and said that increases to fixed route service levels would be due to Transportation Optimization Plan (TOP), and South Bay Bus Rapid Transit (BRT) in January 2019. He summarized total revenue, and stated revenues are projected to increase by \$6.1 million.

Mr. Thompson then reviewed the expense assumptions, including labor expenses increasing by \$1.5 million, and minimum wage increasing from \$11.50 to \$12 on January 1, 2019, as well as fringe expenses increasing by \$1.4 million. Ms. Gomez asked about the impact of the minimum wage increase, and Mr. Thompson responded that the impact would be more on the contracted employees' side. Paul Jablonski, Chief Executive Officer, said that they could create an analysis of this impact. He summarized total expenses, and stated expenses are projected to increase by \$9.0 million.

Mr. Thompson said that the consolidated revenues less expenses resulted in a \$9.9 million deficit without one time funds of \$7 million from capital and SB1 for the TOP added service. Chair Salas asked about the reserve balance. Mr. Thompson said that it was \$36 million, which is higher than the target of 12.5% of the operating budget, so they are currently not setting aside funds for the reserve. Mr. Thompson said that they needed an additional \$2.9 million to balance FY 2019, and proposed utilizing \$1 million of reserves to offset the one-time expenses of a sales tax ballot measure. For the remaining \$1.9 million, refinement of the revenue and expense budgets, additional passenger revenue growth, and/or additional SB1 revenue could make up the difference. Staff will be working on balancing the budget in advance of the next BDC meeting. He concluded that the long term strategy included passenger growth, a plan for fare increase, and SB1 revenue (if not repealed).

5. Adjournment

Chair Salas adjourned the meeting at 10:11 a.m.

  
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Chair of the Budget Development Committee

  
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Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet