

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

March 28, 2019

MINUTES

1. ROLL CALL

Chairperson Salas 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

Ms. Gomez moved to approve the minutes of the February 28, 2019, San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Fletcher seconded the motion, and the vote was 3 to 0 in favor, with Ms. Aguirre and Mr. Arambula absent.

3. PUBLIC COMMENTS

There were no public comments.

4. FISCAL YEAR 2020 OPERATING BUDGET DISCUSSION

Mr. Thompson reviewed the FY20 operating budget development process. He explained that the process started in January using a zero-based budgeting process. He discussed the revenue assumptions, and summarized the federal subsidies. TDA and Transnet formula is projected to grow for the 10th straight year, 3% growth is estimated for TDA and Transnet in FY20. He stated that \$11.3 million of State Transit Assistance was included in the operating budget and the remainder was placed in Capital. An increase of 500K in ridership is projected and MTS is projecting \$5 million in passenger revenue in FY20. He summarized total revenue and stated subsidy revenues are projected to increase by \$12.5 million.

Mr. Thompson then reviewed the expense assumptions, including labor expenses which is assumed to increase by \$2.5 million as well as fringe expenses increasing by \$2.6 million. He spoke about purchased transportation increasing by \$4.6 million. There are three major contracts one with Transdev which will expire in June 2021 and two with First Transit which will expire in June 2020 and MTS will begin bidding for services in the next year. He summarized total expenses and stated expenses are projected to increase by \$8.8 million.

Mr. Thompson said that the consolidated revenues less expenses resulted in a \$296,000 deficit and will continue to refine the revenue and expense budget and will bring a balanced budget to the next BDC meeting in April.

Mr. Marinesi discussed the SDTC Pension Plan Return Assumption and presented the FY18 actuarial valuation. The market return for the plan in FY18 was 6% which resulted in a contribution increase of \$515,000. He reviewed the four options provided by Cheiron and the impacts of the Rate of Return adjustments. MTS staff recommends to continue with 7.0% assumed Rate of Return.

Action Taken

No action was taken. Information item only.

5. REVISION TO BOARD POLICY NO. 36, "MTS RESERVE FUNDS POLICY"

Mr. Thompson spoke of the contingency reserve balance and the target set at 12.5% of the operating expense budget. The projected reserve balance in FY19 is \$34.5 million. MTS recommends excluding fully subsidized services from the MTS contingency calculation to maintain the current reserve percentage.

Action Taken

Mr. Fletcher moved to forward a recommendation to the MTS Board of Directors to approve and adopt the updated Board Policy No. 36, "MTS Reserve Funds". Ms. Gomez seconded the motion, and the vote was 3 to 0 in favor, with Ms. Aguirre and Mr. Arambula absent.

6. ADJOURNMENT

Chairperson Salas adjourned the meeting at 9:50 a.m.

/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) 3/28/2019

CALL TO ORDER (TIME) 9:05 a.m.

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 9:50 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
AGUIRRE <input type="checkbox"/>		
ARAMBULA <input type="checkbox"/>		
FLETCHER <input checked="" type="checkbox"/>	9:05 a.m.	9:50 a.m.
GÓMEZ <input checked="" type="checkbox"/>	9:05 a.m.	9:50 a.m.
SALAS <input checked="" type="checkbox"/>	9:05 a.m.	9:50 a.m.

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE:

Veronica Quiñe

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

for Jamarillo Lazo