

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

April 26, 2018

MINUTES

1. ROLL CALL

Chair 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 March 26, 2018 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Alvarez seconded the motion, and the vote was 3-0 in favor, with Mr. McClellan and Mr. Roberts absent.

3. PUBLIC COMMENTS

Clive Richard presented his public comments. He said that it was faster to get to the meeting by going to La Mesa and catching the Orange Line, from his home near San Diego State University, than to take the trolley near his house.

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

Paul Jablonski, Chief Executive Officer stated that they ultimately need the capital budget to match with a sustainable operating budget, and the presentations would provide the committee members a better understanding of MTS's financial situation.

Mike Thompson, Director of Financial Planning and Analysis, said that they created a 20-year forecast of expected capital needs, and plan to update this forecast annually going forward. He said that revenue vehicles are generally the largest expense in their annual Capital Improvements Program (CIP), and summarized the types, number in fleet, and useful life length. Mr. Thompson spoke about the zero emission bus (ZEB) impact, and said that it would cost an additional \$185 million over the next 20 years. Ms. Gomez asked if this includes both 40 foot and 60 foot buses, and he replied that it did include these. Mr. Thompson said MTS has a number of operating facilities and a need for a new bus maintenance facility. Mr. Jablonski said they might be able to tie a new bus maintenance facility to the ballot initiative, and that Imperial Avenue Division (IAD) may need to be replaced. Mr. Thompson said that there are significant costs related to passenger facilities as well, with overall facility needs totaling \$274 million over the next 20 years. Ms. Gomez asked if there were dates for the planned upgrades. Mr. Thompson responded that the actual plan included a timeline. He then reviewed costs related to Track, Maintenance of Way, and Technology. He said that the 20-year grand total cost is almost \$2 billion. Chair Salas asked if there were any preliminary studies regarding the ballot measure, and when that would happen. Mr. Jablonski said they were

working on that, and looking at 2020. Mr. Thompson summarized the recurring revenues, which project to \$1.4 billion over 20 years and leave a funding deficit of \$632 million. He then reviewed non-recurring revenue. Mr. Alvarez asked about the non-recurring revenue average over 10 years, and Mr. Thompson said that it was about \$14 million/year. He concluded that the key points were: they need to keep the system in a state of good repair, they need a sustainable operating budget, they need to maximize competitive/discretionary funding, and push back the need for a new facility due to funding limitations.

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

Mr. Thompson discussed the revenue changes from the prior draft. He said that they bridged the \$2.9 million deficit. He said that passenger revenue increased by \$53,000, TransNet operating revenue increased by \$424,000, and \$800,000 of reserve revenue was added for the sales tax ballot initiative. He said there was a total increase in revenue of \$1.7 million from the previous draft. He stated that the projected Medi-Cal revenue was \$3.4 million, and that the new legislation would be effective July 1, 2018. He said that the overall impact was still to be determined. He presented the proposed revenue, and said that total fiscal year (FY) 2019 proposed revenue was \$287 million. He said that the total expense reduction was \$1.5 million from the previous draft. He said that the security contractor was concerned about their ability to recruit and retain qualified employees for armed security guards, so a proposal was submitted requesting an increase in hourly salary from \$13 to \$14.50. He said the impact of this, if approved, would be \$300,000 in FY 2019 to MTS. Mr. Thompson stated that the total projected expenses for FY 2019 were \$287 million. He spoke about the contingency reserves, and said that the target was set at 12.5% of the operating expense budget, so the FY 2019 target was \$35.5 million. He went over the 5 year operating budget trend and projection, and said that there was an average annual growth of recurring revenues by 2.2% over the last 5 years, and 3.1% for operating expenses over the last 5 years. He said that recurring revenue growth was projected to continue to lag behind expensed growth, and the projection included increased service levels over the next 5 years. He said that recurring revenue growth over the next 5 years averaged 4%, and annual expenses growth over the next 5 years averaged 4.5%, resulting in a growing structural deficit. In summary, he addressed the on-going concerns of the agency, which included the \$7 million structural deficit, passenger levels, fare study and potential fare increase, and rising inflation. Ms. Gomez stated that she was concerned about combining fare increases with the ballot measure, and said that she wanted to make sure the measure succeeds.

Action Taken

All the present committee members were in favor of forwarding a recommendation to the Board of Directors to recommend staff hold a public hearing on May 10, 2018 with the purpose of reviewing and approving the proposed combined MTS fiscal year 2019 operating budget.

5. Adjournment

Chair Salas adjourned the meeting at 10:14 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