

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

January 31, 2017

MINUTES

1. ROLL CALL

Mr. Mathis 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

Mr. Minto moved to approve the minutes of the October 27, 2016 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Mathis seconded the motion, and the vote was 3-0 in favor, with Chairman Roberts and Ms. Zapf absent.

3. PUBLIC COMMENTS

There were no public comments.

4.a. Appointment of Committee Chairman and Vice Chairman

Mr. Mathis moved to nominate Chairman Roberts as Committee Chairman and Mr. McClellan as Vice Chairman. Mr. Minto seconded the motion.

Action Taken

The vote for Chairman Roberts as Committee Chairman was 3-0 in favor with Chairman Roberts abstaining. The vote for Mr. McClellan as Vice Chairman was 3-0 in favor with Mr. McClellan abstaining and Ms. Zapf absent.

4.b. Security Services Agreement-Contract Amendment (Larry Marinesi and Manny Guaderrama)

Paul Jablonski, Chief Executive Officer, stated that work on the security services contract had been ongoing for almost six months. He explained the impact of minimum wage increases on the contract, and stated that MTS successfully negotiated about \$1 million in savings on the contract with Universal Protection Services (UPS).

Larry Marinesi, Chief Financial Officer, and Manny Guaderrama, Director of Transit Enforcement/Chief of Police, gave the Committee a presentation on the security services agreement and contract amendment status. Mr. Marinesi explained the upcoming changes in minimum wage rates, which required addressing and revising the original contract with UPS approved by the Board of Directors. Mr. Marinesi stated that the direction previously provided by the BDC and Board of Directors were taken

into consideration during the negotiations with UPS. He said that the result was a negotiated contract value of \$43.85 million, which is \$1.1 million below UPS's modified contract proposal.

Mr. Guaderrama gave an overview of the cost saving plan, which included a staffing proposal change, and adjustment of resources. He explained the new deployment plan, which divided the service area into different sections, called beats. Security teams would be responsible for their respective beats, with fixed post assignments at the busiest transit stations. Mr. Guaderrama concluded by summarizing the benefits of the plan, including increased visibility, increased enforcement of MTS ordinances, better personnel retention, and savings of over \$1 million.

Action Taken

Mr. Minto moved to forward the following recommendation to the MTS Board of Directors: receive the report on the security services agreement-contract amendment. Chairman Roberts seconded the motion, and the vote was 4-0 in favor, with Ms. Zapf absent.

4.c. Operating Budget Discussion (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, gave an update on the operating budget. He stated that the fiscal year (FY) 2017 budget operating revenue was down 6%, with ridership as the primary cause. Mr. Thompson said that the second half of FY 2016 is when the decline in passenger fare revenues started, and there is a forecasted 3% drop year over year in passenger levels. A discussion ensued on reasons for the ridership decline.

Mr. Thompson discussed the FY 2017 operating expenses, which were favorable by 2.6%. He spoke about consistent early trends in the operating expenses, including favorable healthcare and pension costs and shifting away from diesel and gasoline. He noted that there were anticipated addition costs for storm water drainage assessments, monitoring, and remediation as well as other outside services.

Mr. Thompson explained the FY 2017 subsidy revenue figures, and stated that overall it was unfavorable by 0.8%. He said that the operating budget forecast for FY 2017 had a \$1.6 million deficit, before carryover funding. He emphasized the concerns over limited revenue growth as well as increasing expenses in FY 2018, forecasting a \$5 million to \$8 million deficit that will need to be addressed. Mr. Thompson suggested several options for FY 2018, including using the reserve, raising fares, and adjusting service to reduce expenses. He added that there will be further discussions of the operating budget at the February BDC meeting.

5. Adjournment

Chairman Roberts adjourned the meeting at 10:34 a.m.



Chairman of the Budget Development Committee

Elis Chen

Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet