

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

October 27, 2016

MINUTES

1. ROLL CALL

Chairman McClellan 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

Mr. Minto moved to approve the minutes of the April 25, 2016 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Mathis seconded the motion, and the vote was 3-0 in favor, with Ms. Cole absent.

3. PUBLIC COMMENTS

There were no public comments.

4.a. Appointment of Committee Chairman and Vice Chairman

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

Action Taken

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

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

Manny Guaderrama, Director of Transit Enforcement/Chief of Police, and Larry Marinesi, Chief Financial Officer, gave the Committee a presentation on the Security Services Agreement/Minimum Wage. The discussion focused on the impact of increasing minimum wage rates set by the City of San Diego and State of California on the security contract with Universal Protection Service (UPS). The Board of Directors approved the \$39 million contract with UPS on February 11, 2016, and language in the contract included addressing potential minimum wage legislation. Mr. Marinesi explained that as an agency, MTS must comply with the minimum wage rates that are most favorable to employees. He gave an overview of the progression of structured pay grades for UPS's different employee types. Mr. Marinesi stated that staff completed an Independent Cost Estimate (ICE) and entered into negotiations regarding new local and state laws, and concluded that a contract increase of \$2.8 million is required, rather than the \$5.9 million UPS proposed. He summarized the other contracts minimum wage changes

have a slight impact on, including janitorial, Americans with Disabilities Act (ADA) paratransit, and fixed route. A discussion ensued regarding turnover and trends in the security industry.

4.c. MTS Energy Programs (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, gave an overview of MTS Energy Programs. He stated that the Energy Program makes up \$27.6 million of the overall budget in fiscal year (FY) 2017 consisting of electricity, natural gas, and gas/diesel. Mr. Thompson explained that the budget for each type of fuel is made up of multiple components: commodity, transportation, demand, station maintenance, and station utilities. He noted that Board Policies and Procedures No. 59-Energy Commodity Hedging enables MTS to purchase natural gas and electricity commodities directly from a third party service provider instead of San Diego Gas & Electric (SDG&E). This provides significant savings and has no impact on operations. He stated that in FY16, commodity rates for obtaining natural gas from a third party instead of from SDG&E were 16% lower, and 59% lower for electricity, resulting in total program savings of almost \$3.5 million. Mr. Thompson summarized electricity and natural gas costs. Both electricity and natural gas costs are rising, partially due to increased utilization. He discussed biogas and energy credits, which MTS generates from utilizing biogas, then sells to British Petroleum (BP) at index rates. Mr. Thompson reviewed the energy credit trends, and explained a new Low Carbon Fuel Standard (LCFS) credit program for MTS light rail vehicles. He led a discussion on selling these credits. The Committee directed staff to revise the Board Policies and Procedures No. 59-Energy Commodity Hedging to give the Chief Executive Officer (CEO), Mr. Jablonski, the authority to sell the energy credits as he sees fit, and to report the sales to the Board the following month. Mr. Thompson concluded with a summary of other projects: a pilot of propane fueled minibuses and looking at different transportation rates for natural gas.

4.d. Operating Budget Discussion (Mike Thompson)

Mr. Thompson gave a presentation on the FY16 Operating Budget Results. He reported that energy results, personnel expenses, purchased transportation, and energy costs were favorable to the budget. He also reported the unfavorable side: SDG&E demand/transportation costs, passenger revenue, and sales tax receipts. Mr. Thompson summarized the FY16 revenues less expenses, with \$8.2 million total revenues less expenses. He reviewed the FY17 trends for sales tax receipts and passenger revenue. He noted that chargebacks on credit card transactions were over 3% since July, and Visa required merchants to have chargeback volumes of less than 1%. He explained that the options to amend this included implementing additional security features, or shutting down the online fare purchase system. Mr. Thompson presented the FY17 preliminary forecast, emphasizing that passenger revenue was the primary concern, but could be partially offset by savings within expense. He stated that the FY16 budget had excess revenues of \$3.9 million, and needed direction on where to place it. The Committee discussed this, and agreed to put \$1.9 million in fare collection, and roll \$2 million over to the FY17 operating budget.

5. Adjournment

Chairman Roberts adjourned the meeting at 10:59 a.m.

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A handwritten signature in dark ink, appearing to read "M. Roberts", written over a horizontal line.

Chairman of the Budget Development Committee

A handwritten signature in dark ink, appearing to read "Chris Chen", written over a horizontal line.

Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet