

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

February 26, 2015

MINUTES

1. ROLL CALL

Chairman Roberts called the Budget Development Committee (BDC) meeting to order at 2:40 p.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Minto moved to approve the minutes of the May 1, 2014 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. McClellan seconded the motion, and the vote was 4-0 in favor, with Ms. Cole absent.

3. PUBLIC COMMENTS

Zahir Khoshnans – Link Radio Service. Mr. Khoshnans, owner of link radio service for taxi cabs, stated that MTS shut down his dispatch radio service. Ms. Cooney explained that a representative from MTS taxi cab would be available to speak with him outside of the meeting.

Chairmen Roberts said the motion will be cleared outside.

4.a. Appointment of Committee Chairman and Vice Chairman

Mr. Mathis moved to nominate Mr. Roberts as Committee Chairman and Mr. Minto as Vice Chairman.

Action Taken

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

4.b. Fiscal Year 2016 Capital Improvement Program (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, gave the Committee a presentation on the MTS Fiscal Year (FY) 2016 Capital Improvement Program (CIP). He discussed the development of MTS's FY16 CIP request for projects, which began in October 2014. Mr. Thompson explained that the Capital Projects Review Committee (CPRC), which is comprised of Bus Operations, Rail Operations, Administration and the San Diego Association of Governments (SANDAG), met to discuss and prioritize the projects list. He stated the CPRC and the Chief Executive Officer (CEO) reviewed and approved the prioritization of the capital requests. Mr. Thompson noted that MTS has approved all operational safety projects.

Mr. Thompson discussed highlights of the FY16 CIP, including a new revenue source from the State of California Cap and Trade program. He explained the Low Carbon Transit Operation Program, of which MTS will receive \$1.2 million. Mr. Thompson stated MTS is expecting between \$2.4 million and \$4.8 million for the 2015-16 budget year.

Mr. Thompson talked about overall CIP funding levels, with \$102,039,000 total funding available. He also provided a list of CIP categories and assigned a level of funding and percentage of total funding assigned to each category. He reported that there are 49 projects being funded through the CIP. He then discussed the projected revenues for the CIP for FY16 through FY20. Discussion ensued between the Committee members regarding current and future capital projects.

Public Speakers

Emily Serafy Cox - Mid-City CAN. Ms. Serafy Cox gave a brief history of her appreciation for public transportation. She stated the youth pilot program has made a difference in the communities and is hoping that the program can be implemented year-round. Ms. Serafy Cox explained that the youth pilot program would increase student ridership long-term. Ms. Serafy Cox also asked to get information on the CPPS application.

Abdul Mohamed - Mid-City CAN. Mr. Mohamed stated that he is in favor for the youth bus pass program and would like MTS to contribute \$100,000.00 to continue the youth pilot program.

Chairman Roberts asked about the status of the youth pilot program. Mr. Jablonski stated the youth pilot program continues to have the same issues. Mr. Jablonski explained that MTS already recognizes youth bus passes and both the Board and MTS have provided a 50% discount to youth for decades. Mr. Jablonski stated that MTS has taken a big step forward to increase youth ridership.

Action Taken

Mr. Minto moved to forward the following recommendation to the MTS Board for FY16 CIP: (1) approve the FY16 CIP with the estimated federal and nonfederal funding levels. As the federal appropriation figures are finalized and/or other project funding sources become available, allow the CEO to identify and adjust projects for the adjusted funding levels; (2) recommend that the SANDAG Board of Directors approve the submittal of federal Sections 5307 and 5337 applications for the MTS FY16 CIP; (3) approve the transfer of \$1,604,000 from previous CIP projects to the FY16 CIP; (4) recommend that the SANDAG Board of Directors approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the FY16 CIP recommendations. Mr. McClellan seconded the motion, and the vote was 4-0 in favor.

4.c. Fiscal Year 2016 Midyear Adjustment (Mike Thompson)

Mr. Thompson gave the BDC a report of the FY15 midyear budget adjustment and discussed the non-operating revenue and operating revenue. He discussed the lease/leaseback transaction which is being paid off early per MTS Board of Director direction in September. This early payoff transaction causes a \$73,985,000 increase to non-operating revenues, which will be offset by 73,985,000 increase in debt service expenses. He explained that passenger revenue is tracking very close to the original budget and required no midyear adjustment. Mr. Thompson discussed the FY15 midyear revenue summary

and explained that other operating revenue is projected to decrease by \$343,000. He explained this is primarily due to lower than expected revenue from natural gas credits, partially offset by increases in income within Compass Card and Land Management department activities. Mr. Thompson explained that subsidy revenue, in total, produced a favorable midyear adjustment of \$44,000, while federal subsidy revenue requires a favorable midyear adjustment of \$2,244,000 to maximize federal revenue towards preventative maintenance, which will be offset by a \$2,200,000 decrease to Transportation Development Act revenues. Mr. Thompson stated, in total, consolidated revenues excluding the lease/leaseback transaction will yield a \$548,000 favorable midyear adjustment. He explained the expense assumptions summary and stated overall total expenses, excluding the lease/leaseback transaction, are increasing by \$548,000 or an increase of 0.2%, and that the increase to revenues and expenses still results in a balanced budget. He reviewed the contingency reserve balance and explained that the projected balance on June 30, 2015 would be \$30,529,000. He also stated that the goal is to have a contingency reserve balance of 12.5% of operating expense budget by FY16.

Action Taken

Mr. Minto moved to forward a recommendation to the MTS Board of Directors to approve the Combined MTS FY15 Midyear Budget Amendment, including using the excess revenues over expenses to increase contingency reserves. Mr. McClellan seconded the motion, and the vote was 4-0 in favor.

4.d. Fiscal Year 2016 Operating Budget Discussion (Mike Thompson)

Mr. Thompson discussed the FY16 preliminary assumptions. He stated that Diesel and CNG commodity prices are expected to increase by 3-5% and SDG&E electricity rates will continue to increase. Mr. Thompson also noted there will be a slight increase in passenger ridership.

Chairman Roberts asked if purchasing CNG at a fixed price would save MTS money. Mr. Thompson explained that future prices in CNG are estimated to rise and it is not recommended to purchase CNG at a fixed price.

Mr. Thompson explained purchased transportation. He stated that the Fixed Route Operations' Transdev rate will decrease by 0.7%, ADA First Transit rate will increase by 3.7% and Minibus First Transit rate will increase by 3.1%. Mr. Thompson discussed the FY16 open item regarding staffing. He discussed the plan to increase management pension contributions by 1% to a total of 7% beginning January 1, 2016. He noted that the plan is to get to a full 8% share by January 1, 2017. Mr. Thompson explained management salary grade increases will be tied to CPI for FY16 and the continued management salary merit pool/performance incentive program for the upcoming fiscal year.

Larry Marinesi, Chief Financial Officer, gave the Committee a presentation on the status and structure of MTS's Informational Technology (IT) department. Mr. Marinesi also discussed the need for additional IT staffing. Chairman Roberts discussed the possibility of outsourcing MTS's IT department. Discussion ensued between the Committee members regarding additional MTS IT staffing, and the staff recommendation of adding six additional resources was approved by the BDC.

5. Adjournment

Chairman Roberts adjourned the meeting at 4:21 p.m.

Budget Development Committee Meeting

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A handwritten signature in black ink, appearing to read "Gow Roberts", written above a horizontal line.

Chairman of the Budget Development Committee

A handwritten signature in blue ink, appearing to read "Ally Lopez", written above a horizontal line.

Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet

**BUDGET DEVELOPMENT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 2/26/2015

CALL TO ORDER (TIME) 2:40 PM

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 4:21 PM

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
COLE	<input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/>	2:40 PM	4:21 PM
MCCLELLAN	<input checked="" type="checkbox"/>	2:40 PM	4:21 PM
MINTO	<input checked="" type="checkbox"/>	2:40 PM	4:21 PM
ROBERTS	<input checked="" type="checkbox"/>	2:40 PM	4:21 PM

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE: 

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: 

cc: Clerk of the Board
Accounts Payable
Attachment to Original and Draft Minutes