

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

April 1, 2014

MINUTES

1. ROLL CALL

Mr. Mathis 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 March 4, 2014 MTS BDC meeting. Mr. Mathis seconded the motion, and the vote was 3-0 in favor, with Mr. McClellan and Mr. Roberts absent.

3. PUBLIC COMMENTS

There were no public comments.

4.a. MTS: FY 2015 Preliminary Projections (Mike Thompson)

Mr. Thompson gave the Committee a report on the FY15 operating budget assumptions. He discussed the subsidy revenue assumptions on the Federal side and stated that the Federal authorizations through MAP-21 expire at the end of this Federal fiscal year. He explained that Job Access Reverse Commute (JARC) funding changed with MAP-21 last year and will now be included within the 5307 allocation, which is part of MTS's Capital and Preventative Maintenance funding. Mr. Thompson also explained the preventative maintenance funding levels and noted that subsidy is growing on the capital side and slightly decreasing on the operating side. Mr. Jablonski noted that the JARC funding we have been receiving has been for operating dollars and now we will be rolling that funding into MTS's regular capital program. Mr. Thompson discussed the TDA and TransNet subsidy revenue assumptions and said that these projections are done by SANDAG each year. He said that the FY14 projected growth is 5% and the FY15 projected growth is 4% for TDA and TransNet. Mr. Thompson also reviewed the STA subsidy revenue assumptions and explained that these assumptions are projected by the State Controller's Office. The FY14 projection is just under \$20M and the FY15 projection is \$18M.

Mr. Thompson discussed the passenger level revenue assumptions, stating that there has been an average growth in passengers over the last 10 years of about 2.5% annually. He reviewed the service level assumptions and explained that MTS is adding BRT service, which will have 123,000 revenue hours in FY15. Mr. Thompson then discussed the BRT expense assumptions and noted that the net cost of this service will be funded by TransNet operating dollars. He explained the pension expense assumptions and stated that the plan contribution and employee contributions rates are continuing to increase. Mr. Thompson reviewed the energy expense assumptions and said that MTS is currently forecasting the FY15 natural gas commodity average price to be \$4.30, which is a 2.5% increase over the FY14 amended budget levels. He also discussed the electricity expense assumptions as well as the purchased transportation expense assumptions for FY15. Mr. Thompson reported the FY15 preliminary

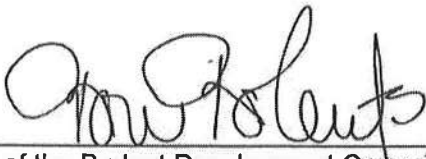
projections, stating that total revenues are growing by \$10.4M, or 4.1% and total expenses are growing by \$14.1M, or 5.7%, resulting in a preliminary budget deficit of \$2.0 million.

Mr. Thompson explained the biogas energy credits and stated that these credits are an estimate of \$1M of revenue for FY14 and \$2M for FY15, which at this point have not been included in either the operating budget or the capital budget. Lastly, he discussed the contingency reserves and noted that last year the Budget Development Committee put a policy in place to have the reserves reach 12.5% by FY16, and with the growth of expenses projected for FY15, the reserve will be \$4.3M short of that goal. He stated that staff recommends programming \$2-3M towards contingency reserves to help reach the 12.5% goal by FY16.

The April 17, 2014 Finance Workshop has been cancelled and the next BDC meeting will take place on May 1, 2014.

5. Adjournment

Chairman Roberts adjourned the meeting at 9:55 a.m.



Chairman of the Budget Development Committee



Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet