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Agenda

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

April 30, 2015
 9:00 AM

James R. Mills Building
 Executive Conference Room
 1255 Imperial Avenue, Suite 1000
 San Diego, CA 92101

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ACTION RECOMMENDED

1. ROLL CALL
2. APPROVAL OF MINUTES - February 26, 2015 Approve
3. PUBLIC COMMENTS
4. COMMITTEE DISCUSSION ITEMS
 - a. FY 2016 Operating Budget (Mike Thompson) Approve
 Action would receive a report on the proposed combined MTS fiscal year 2016 operating budget; and forward a recommendation to the Board of Directors to recommend staff hold a public hearing on May 14, 2015 with the purpose of reviewing the proposed combined MTS fiscal year 2016 operating budget.
5. ADJOURNMENT

Please SILENCE electronics
 during the meeting

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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.



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

Page 4 of 4

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



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Agenda Item No. 4a

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

April 30, 2015

SUBJECT:

PROPOSED FISCAL YEAR 2016 OPERATING BUDGET

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Board of Directors:

1. Receive a report on the proposed combined MTS fiscal year (FY) 2016 operating budget; and
2. Recommend staff hold a public hearing on May 14, 2015 with the purpose of reviewing the proposed combined MTS FY16 operating budget.

Budget Impact

None at this time.

DISCUSSION:

Fiscal Year 2016 Budget Recap

The following is a recap of the FY16 budget process:

- MTS uses a zero based budgeting process that begins in December each year. In traditional historic budgeting, managers only justify variances versus prior year budget; the assumption is that the baseline is automatically approved. In contrast, using zero-based budgeting, every line item of the budget must be approved each year. In MTS's process, department managers receive personnel and non-personnel budget templates in which they propose amounts for each line item, submitted with the appropriate supporting details for each assumption. Meetings are held with each department to validate their assumptions, review proposals versus existing spending trends, and review any new initiatives. This collaborative process results in the final assumptions that are presented to senior management at MTS, the Budget Development Committee (BDC) and ultimately the MTS Board of Directors (Board).



- In March, staff met with the BDC and MTS Board. Within these two meetings, staff discussed and received approval of the FY15 midyear budget adjustment and the FY16 Capital Improvement Program (CIP).

Staff discussed some preliminary assumptions for the FY16 operating budgets. Staff reviewed high level revenue, expense and service level assumptions. Staff also reviewed an assessment of the Information Technology (IT) department, which was completed by external consultants.

- In this meeting, staff will review all revenues and expense assumptions for FY16, including a number of finalized assumptions relating to: passenger levels, operating income, subsidy income, personnel assumptions, energy rates and other expense assumptions. Staff will also present a proposed final draft budget for FY16.

Fiscal Year 2016 Operating Budget

The FY16 total budgeted revenue is projected at \$282,857,000, and total projected expenses are budgeted at \$282,857,000 resulting in a balanced budget for FY16.

Fiscal Year 2016 Revenues

Attachment A summarizes the total operating and non-operating revenues in a schedule format. As indicated within the schedule, FY16 combined revenues total \$282.9 million, a decrease from the FY15 amended budget of \$74.0 million (20.7 percent).

Operating revenue totals \$111.5 million, an increase from the FY15 amended budget of \$1.4 million (1.2 percent). Passenger revenues are increasing by \$2.0 million (2.0%) due to a projected increase in ridership. Other operating revenues are decreasing by \$588,000, primarily due to a reduction of energy credits and advertising revenues within Administration. Attachment B details the operating revenues by MTS Operator.

Attachment C details the non-operating revenues by funding source. Federal appropriations were authorized under the Moving Ahead for Progress in the 21st Century (MAP-21) legislation, which reauthorized surface transportation programs through September 30, 2014, but has since been extended through May 31, 2015. MAP-21 resulted in a net increase of federal revenues for MTS, which primarily impacts the CIP. Federal Transit Administration (FTA) funding is structured on a reimbursement basis (after expenses are incurred), and funds both the CIP and operations. In total, MTS's share of federal revenue is expected to increase by \$4.0 million to \$70.6 million, however the overall amount in the operating budget will decrease by \$145,000.

Regional sales tax receipts are projected to grow by 4.0% year over year for FY15 and by an additional 5.0% in FY16, resulting in additional formula TransNet and Transportation Development Act (TDA) revenues for MTS. Within the operating budget, TransNet and TDA revenues are projected to increase by approximately \$8.1 million in FY16.

In FY15, MTS has received \$8.8 million of State Transit Assistance (STA) funding and projects to receive \$18.0 million in total. The State of California Controller's office projects MTS will receive an additional \$17.5 million for FY16. This funding is primarily programmed in the CIP, but a fixed \$3.6 million will be utilized in the operating budget to continue to fund the service increases put into place during FY13 at the Board's direction.

In total, subsidy revenue totals \$155.3 million, an increase from the FY15 amended budget of \$7.9 million (5.4 percent).

Other revenue totaled \$18.1 million, a decrease from the FY15 amended budget of \$82.9 million. This decrease is due to Lease and Leaseback revenues. In 1990 and 1995, MTS entered into two leasing transactions involving light rail vehicles (LRVs). The 1990 agreement involved the sale and leaseback of 41 LRVs, and the 1995 agreement involved the lease and leaseback of 52 LRVs. These transactions provided tax benefits to investors in exchange for a profit. Investments on the cash received cover the cost of the debt in a back-to-back manner. In 2014, MTS exercised its right to close out this transaction during calendar year 2015, with the majority of this activity included in the FY15 budget. The final two payments to retire this debt will take place in FY16, which will total \$18.1 million funded by escrowed investments as described above. The revenue and debt service expenses are both decreasing by \$82.9 million due to the retirement of this debt.

Reserve revenue totals a deficit of \$2.0 million, a decrease from the FY15 amended budget of \$362,000. This deficit reflects funding being added to the reserve balances; \$2.1 million for the MTS operating contingency reserve, and the remaining \$38,000 representing the projected changes to the Taxicab Administration and San Diego & Arizona Eastern reserve balances.

Fiscal Year 2016 Expenses

Attachment E contains the total revenues as detailed above and the total proposed expenses for FY16. As indicated within the schedule, FY16 combined expenses totaled \$282.9 million, a decrease from the FY15 amended budget of \$74.0 million (20.7 percent). Attachment D contains the proposed service levels for FY16, showing a 1.6 percent increase in revenue miles.

Within operating expenses, personnel expenses are projected to increase from the FY15 amended budget by \$4.8 million (4.0 percent). In June of 2014, the first of the TransNet-funded Bus Rapid Transit (BRT) projects began service. Additional BRT projects also began service in October of 2014. Staff is proposing an increase of 36 full time equivalents in bus operator personnel partially as a result of this new service. In addition to the staffing increase and an increase in projected service levels, MTS costs are also increasing due to health and welfare cost increases, as well as general wage increases.

Outside service expenses are projected to increase from the FY15 amended budget by \$1.7 million (7.8 percent). This increase is due to rising maintenance service agreement costs, as well as additional repairs and maintenance expenses.

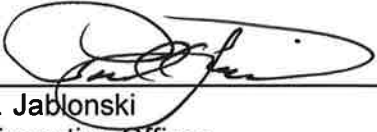
Purchased transportation also is projected to increase from the FY15 amended budget by \$1.5 million (2.2 percent), primarily due to increased service levels within Americans with Disabilities Act (ADA) paratransit operations.

Attachment F summarizes the operating expense budgets for each operating division and administrative department.

Attachment G details the energy rate assumptions for FY16. Staff projects rates for CNG, gasoline, diesel, and electricity at \$0.85 per therm, \$3.33 per gallon, \$2.82 per gallon, and \$0.204 per kWh, respectively. These rate levels, plus the additional service rates, result in a projected increase in energy cost of \$771,000 (2.6%) from the FY15 amended budget.

Debt service costs are projected to decrease from the FY15 amended budget by \$83.0 million. This decrease is due to the lease/leaseback transactions mentioned above.

Adjusting for the increase to service levels and the decrease to lease/leaseback debt service costs, expenses are increasing by \$6.2 million or 2.5 percent.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Mike Thompson, 619-557-4557, mike.thompson@sdmts.com

- Attachments:
- A. Operating Revenue Summary
 - B. Operating Revenue
 - C. Non-Operating Revenue
 - D. Operating Statistics
 - E. Operating Budget – Consolidated
 - F. Total Operating Budget
 - G. Energy Impact on Operations
 - H. Salary Grade Ranges
 - I. Position Information (Summary)

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

AI No 4a: Attachment A

OPERATING BUDGET

REVENUE SUMMARY

FISCAL YEAR 2016

	ACTUAL FY14	AMENDED BUDGET FY15	PROPOSED BUDGET FY16	\$ CHANGE PROPOSED/ AMENDED	% CHANGE PROPOSED/ AMENDED
Operating Revenue					
Passenger Revenue	\$ 96,662,061	\$ 99,925,576	\$ 101,879,972	\$ 1,954,396	2.0%
Advertising Revenue	869,797	1,050,000	750,000	(300,000)	-28.6%
Contract Service Revenue	30,149	0	0	0	-
Other Income	8,397,250	9,158,757	8,870,572	(288,184)	-3.1%
Total Operating Revenue	\$ 105,959,257	\$ 110,134,333	\$ 111,500,544	\$ 1,366,211	1.2%
Subsidy Revenue					
Federal Revenue	\$ 42,008,759	\$ 53,257,000	\$ 53,111,654	\$ (145,346)	-0.3%
Transportation Development Act (TDA)	68,147,570	51,427,792	58,080,789	6,652,997	12.9%
State Transit Assistance (STA)	3,127,607	3,632,936	3,600,000	(32,936)	-0.9%
State Revenue - Other	1,473,067	1,600,000	1,600,000	0	-
Transnet	24,599,914	36,299,327	37,720,455	1,421,129	3.9%
Other Local Subsidies	2,443,684	1,174,102	1,174,102	0	-
Total Subsidy Revenue	\$ 141,800,601	\$ 147,391,157	\$ 155,287,000	\$ 7,895,843	5.4%
Other Revenue					
Other Funds	\$ 7,504,923	\$ 101,038,302	\$ 18,108,323	\$ (82,929,979)	-82.1%
Reserves Revenue	3,187,035	(1,677,207)	(2,039,286)	(362,078)	21.6%
Total Other Revenues	\$ 10,691,958	\$ 99,361,095	\$ 16,069,037	\$ (83,292,057)	-83.8%
GRAND TOTAL REVENUES	\$ 258,451,816	\$ 356,886,584	\$ 282,856,582	\$ (74,030,003)	-20.7%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

AI No 4a: Attachment B

OPERATING BUDGET

OPERATING REVENUE

FISCAL YEAR 2016

	ACTUAL FY14	AMENDED BUDGET FY15	PROPOSED BUDGET FY16	\$ CHANGE PROPOSED/ AMENDED	% CHANGE PROPOSED/ AMENDED
<u>Passenger Revenue</u>					
Internal Bus Operations	\$ 27,781,182	\$ 27,215,850	\$ 27,492,066	\$ 276,216	1.0%
Rail Operations - Base	40,187,908	41,256,504	42,072,048	815,544	2.0%
MCS - Fixed route	23,931,980	27,508,209	29,742,854	2,234,645	8.1%
MCS - Paratransit	2,093,488	2,445,707	2,573,005	127,298	5.2%
Chula Vista Transit	2,667,502	1,499,307	-	(1,499,307)	-100.0%
Total Passenger Revenue	\$ 96,662,061	\$ 99,925,576	\$ 101,879,972	\$ 1,954,396	2.0%
<u>Advertising Revenue</u>					
Administration	\$ 869,797	\$ 1,050,000	\$ 750,000	\$ (300,000)	-28.6%
Total Advertising Revenue	\$ 869,797	\$ 1,050,000	\$ 750,000	\$ (300,000)	-28.6%
<u>Contract Service Revenue</u>					
Internal Bus Operations	\$ 29,420	\$ -	\$ -	\$ -	-
Total Contract Service Revenue	\$ 30,149	\$ -	\$ -	\$ -	-
<u>Other Income</u>					
Internal Bus Operations	\$ 94,454	\$ 5,000	\$ 5,000	\$ -	-
Rail Operations	1,710,043	674,000	694,000	20,000	3.0%
Administrative	5,404,386	7,297,577	6,646,572	(651,004)	-8.9%
Taxicab	938,512	1,047,180	1,390,000	342,820	32.7%
SD&AE	249,855	135,000	135,000	-	-
Total Other Income	\$ 8,397,250	\$ 9,158,757	\$ 8,870,572	\$ (288,184)	-3.1%
TOTAL OPERATING REVENUE	\$ 105,959,257	\$ 110,134,333	\$ 111,500,544	\$ 1,366,211	1.2%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

AI No 4a: Attachment C

OPERATING BUDGET

NON OPERATING REVENUE

FISCAL YEAR 2016

	ACTUAL FY14	AMENDED BUDGET FY15	PROPOSED BUDGET FY16	\$ CHANGE PROPOSED/ AMENDED	% CHANGE PROPOSED/ AMENDED
<u>FEDERAL</u>					
FTA 5307 - Planning	\$ 20,550	\$ -	\$ -	\$ -	-
FTA 5307/5309 - Preventative Maintenance	40,046,760	48,000,000	48,000,000	-	-
FTA 5307 - ADA PM	-	4,456,000	4,456,000	-	-
FTA 5307 - Fuel PM	-	-	-	-	-
JARC	1,309,802	314,000	95,000	(219,000)	-69.7%
FTA 5311 / 5311(f) - Rural	434,837	487,000	560,654	73,654	15.1%
Total Federal Funds	\$ 42,008,759	\$ 53,257,000	\$ 53,111,654	\$ (145,346)	-0.3%
<u>TRANSPORTATION DEVELOPMENT ACT (TDA)</u>					
TDA - Article 4.0 MTS Area	\$ 63,725,363	\$ 46,617,652	\$ 52,787,027	\$ 6,169,374	13.2%
TDA - Fuel PM	-	-	-	-	-
TDA - Article 4.5 (ADA)	3,985,719	4,320,225	4,545,837	225,611	5.2%
TDA - Article 8.0	436,488	489,914	747,925	258,011	52.7%
Total TDA Funds	\$ 68,147,570	\$ 51,427,792	\$ 58,080,789	\$ 6,652,997	12.9%
<u>STATE TRANSIT ASSISTANCE (STA)</u>					
STA - Formula	3,127,607	3,632,936	3,600,000	(32,936)	-0.9%
Total State Funds	\$ 3,127,607	\$ 3,632,936	\$ 3,600,000	\$ (32,936)	-0.9%
<u>STATE REVENUE - OTHER</u>					
Caltrans	\$ -	\$ -	\$ -	\$ -	-
MediCal	1,473,067	1,600,000	1,600,000	-	-
Total State Funds	\$ 1,473,067	\$ 1,600,000	\$ 1,600,000	\$ -	-
<u>TRANSNET</u>					
TransNet - 40% Operating Support	\$ 20,960,384	\$ 23,353,000	\$ 25,192,000	\$ 1,839,000	7.9%
TransNet - Access ADA	701,867	766,000	814,000	48,000	6.3%
TransNet - Superloop	2,647,356	2,716,213	1,936,808	(779,405)	-28.7%
TransNet - BRT	290,307	9,464,114	9,777,648	313,534	3.3%
Total TransNet Funds	\$ 24,599,914	\$ 36,299,327	\$ 37,720,455	\$ 1,421,129	3.9%
<u>OTHER LOCAL</u>					
City of San Diego	\$ 459,102	\$ 459,102	\$ 459,102	\$ -	-
SANDAG - Inland Breeze	1,000,000	500,000	500,000	-	-
Other - 4S Ranch	120,478	-	-	-	-
SANDAG - Murphy Canyon	-	-	-	-	-
Other	789,426	215,000	215,000	-	-
CNG Rebates	74,677	-	-	-	-
Other Local Funds	\$ 2,443,684	\$ 1,174,102	\$ 1,174,102	\$ -	-
<u>LEASE-LEASEBACK / RESERVES</u>					
Lease-Leaseback	\$ 7,504,923	\$ 101,038,302	\$ 18,108,323	\$ (82,929,979)	-82.1%
Reserve Utilization	3,187,035	(1,677,207)	(2,039,286)	(362,078)	21.6%
Total Lease-Leaseback / Reserves	\$ 10,691,958	\$ 99,361,095	\$ 16,069,037	\$ (83,292,057)	-83.8%
TOTAL NON OPERATING REVENUE	\$ 152,492,559	\$ 246,752,252	\$ 171,356,038	#####	-30.6%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATING BUDGET
OPERATING STATISTICS
FISCAL YEAR 2016

<u>Revenue Miles</u>					
	ACTUAL FY14	AMENDED BUDGET FY15	PROPOSED BUDGET FY16	\$ CHANGE PROPOSED/ AMENDED	% CHANGE PROPOSED/ AMENDED
Internal Bus Operations	8,694,664	9,563,434	9,661,568	98,134	1.0%
Rail Operations - Base	8,488,071	8,488,071	8,488,071	-	0.0%
MCS - Fixed Route	8,500,640	9,627,572	10,322,056	694,484	7.2%
MCS - Paratransit	3,637,887	4,218,638	4,569,283	350,645	8.3%
Chula Vista Transit	1,074,092	610,651	-	(610,651)	-100.0%
Total	30,395,354	32,508,366	33,040,978	532,612	1.6%
<u>Total Miles</u>					
Internal Bus Operations	10,097,967	11,139,863	11,283,149	143,285	1.3%
Rail Operations - Base	8,571,980	8,571,980	8,571,980	-	0.0%
MCS - Fixed Route	10,316,597	11,525,410	12,326,782	801,372	7.0%
MCS - Paratransit	4,918,348	5,687,076	6,159,040	471,964	8.3%
Chula Vista Transit	1,199,593	681,414	-	(681,414)	-100.0%
Total	35,104,484	37,605,743	38,340,950	735,207	2.0%
<u>Revenue Hours</u>					
Internal Bus Operations	795,087	805,906	813,607	7,701	1.0%
Rail Operations - Base	501,008	501,008	501,008	-	0.0%
MCS - Fixed Route	791,627	920,753	989,975	69,221	7.5%
MCS - Paratransit	206,326	234,389	253,737	19,348	8.3%
Chula Vista Transit	103,289	58,738	-	(58,738)	-100.0%
Total	2,397,337	2,520,795	2,558,326	37,531	1.5%
<u>Total Hours</u>					
Internal Bus Operations	844,933	861,655	870,967	9,312	1.1%
Rail Operations - Base	506,496	506,496	506,496	-	0.0%
MCS - Fixed Route	849,487	981,108	1,055,169	74,061	7.5%
MCS - Paratransit	279,398	327,744	354,851	27,107	8.3%
Chula Vista Transit	109,465	62,217	-	(62,217)	-100.0%
Total	2,589,779	2,739,220	2,787,484	48,264	1.8%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATING BUDGET**

AI No 4a: Attachment E

CONSOLIDATED INCOME STATEMENT

FISCAL YEAR 2016

in (\$000s)

	ACTUAL FY14	AMENDED BUDGET FY15	PROPOSED BUDGET FY16	\$ CHANGE PROPOSED/ AMENDED	% CHANGE PROPOSED/ AMENDED
Passenger Revenue	\$ 96,662	\$ 99,926	\$ 101,880	\$ 1,954	2.0%
Other Revenue	9,297	10,209	9,621	(588)	-5.8%
Total Operating Revenues	\$ 105,959	\$ 110,134	\$ 111,501	\$ 1,366	1.2%
Total Non-Operating Revenue	146,520	246,752	171,356	(75,396)	-30.6%
Total Revenues	\$ 252,479	\$ 356,887	\$ 282,857	\$ (74,030)	-20.7%
Personnel Expenses	103,223	119,710	124,503	4,793	4.0%
Personnel-Dexia Pension Debt	12,800	-	-	-	-
Outside Services	20,667	21,398	23,070	1,672	7.8%
Purchased Transportation	59,160	66,062	67,521	1,459	2.2%
Materials And Supplies	9,518	10,082	10,536	454	4.5%
Energy	27,251	29,326	30,097	771	2.6%
Risk Management	4,878	3,875	4,554	679	17.5%
General And Administrative	2,275	2,193	1,324	(869)	-39.6%
Vehicle / Facility Lease	1,087	1,302	1,360	57	4.4%
Debt Service	9,367	102,938	19,892	(83,046)	-80.7%
Total Operating Expenses	\$ 250,226	\$ 356,887	\$ 282,857	\$ (74,030)	-20.7%
Total Revenues Less Total Expenses	2,253	0	(0)	(0)	-
Net Operating Subsidy	\$ (144,267)	\$ (246,752)	\$ (171,356)	\$ 75,396	30.6%

San Diego Metropolitan Transit System

AI No 4a: Attachment F

Operating Budget

Total Operating Expenses

Fiscal Year 2016

(in \$000's)

	AMENDED FY15	Allocation Differences	ADJUSTED FY15	PROPOSED FY16	\$ VARIANCE	Percent Variance
Operations						
Internal Bus Operations	83,128	-	\$ 83,128	\$ 84,744	\$ 1,617	1.9%
Rail Operations	56,782	-	56,782	60,183	3,401	6.0%
Contract Services - Fixed Roul	57,284	3,899	61,182	60,863	(320)	-0.5%
Contract Services - Paratransit	17,183	-	17,183	19,260	2,077	12.1%
Chula Vista Transit	3,899	(3,899)	-	-	-	0.0%
Coronado Ferry	190	-	190	200	10	5.2%
Administrative Pass Through	344	-	344	344	-	0.0%
Combined Operations	218,809	-	\$ 218,809	\$ 225,594	\$ 6,785	3.1%
Other Operations						
Taxicab Administration	914	-	\$ 914	\$ 1,218	\$ 304	33.2%
San Diego & Arizona Eastern	179	-	179	162	(17)	-9.3%
Combined Other Operations	1,093	-	\$ 1,093	\$ 1,380	\$ 287	26.3%
Administrative						
Board of Directors	60	-	\$ 60	\$ 64	\$ 4	6.7%
BOD Admin	205	-	205	210	6	2.8%
Bus Bench / Bus Shelter	145	-	145	153	8	5.5%
Compass Card	2,426	-	2,426	2,294	(133)	-5.5%
Executive	658	-	658	725	67	10.2%
Finance	1,528	-	1,528	1,594	65	4.3%
Fringes	5,662	-	5,662	6,279	618	10.9%
General	103,790	-	103,790	20,506	(83,284)	-80.2%
Human Resources	1,697	-	1,697	1,740	42	2.5%
Information Technology	3,934	-	3,934	4,732	799	20.3%
Land Management	442	-	442	503	61	13.7%
Legal	408	-	408	458	49	12.1%
Marketing	1,427	-	1,427	1,552	125	8.8%
Operations Planning	716	-	716	845	128	17.9%
Procurement	838	-	838	917	78	9.3%
Revenue	-	-	-	-	-	0.0%
Risk	714	-	714	697	(17)	-2.4%
Security	9,653	-	9,653	9,941	289	3.0%
Stores	1,417	-	1,417	1,443	26	1.8%
Telephone Information Service	884	-	884	872	(12)	-1.4%
Transit Store	381	-	381	359	(21)	-5.5%
Combined Administrative	136,984	-	\$ 136,984	\$ 55,882	\$ (81,102)	-59.2%
Combined Grand Total	356,887	-	\$ 356,887	\$ 282,857	\$ (74,030)	-20.7%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

AI No 4a: Attachment G

Operating Budget

Energy Impact on Operations

Fiscal Year 2016

	CNG	Gasoline	Diesel	Electricity
Unit of Measure	Therm	Gallon	Gallon	Kwh
Proposed Rate	\$ 0.85	\$ 3.33	\$ 2.82	\$ 0.204
Annual Usage	9,210,000	1,790,000	810,000	62,980,000
Cost Impact of \$0.01 Rate Increase	\$ 92,100	\$ 17,900	\$ 8,100	\$ 629,800
Annual Miles	20,500,000	8,000,000	2,700,000	8,600,000
Average Cost per Mile	\$ 0.38	\$ 0.75	\$ 0.84	\$ 1.50

Historical Rate Trend

	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Amended	FY16 Projected
Diesel	\$ 2.91	\$ 3.39	\$ 3.38	\$ 3.31	\$ 2.63	\$ 2.82
Gasoline	3.35	3.53	3.50	3.34	2.72	3.33
CNG	0.95	0.88	0.77	0.89	0.89	0.85
Electricity	0.164	0.158	0.154	0.179	0.202	0.204

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

AI No 4a: Attachment H

Operating Budget

Proposed Salary Grade Ranges

Fiscal Year 2016

Range	EE Count	Existing			Proposed *		
		Minimum	Midpoint	Maximum	Minimum	Midpoint	Maximum
01	11.7	\$ 20,567	\$ 26,378	\$ 32,190	\$ 20,567	\$ 26,588	\$ 32,608
02	7.5	23,652	30,335	37,017	23,652	30,575	37,499
03	8.0	27,200	34,885	42,570	27,200	35,162	43,124
04	5.0	31,280	40,118	48,956	31,280	40,436	49,592
05	29.0	35,972	46,136	56,299	35,972	46,502	57,031
06	46.5	41,512	53,241	64,970	41,512	53,663	65,814
07	33.0	47,531	60,961	74,391	47,531	61,444	75,358
08	101.0	53,356	69,823	86,290	53,356	70,384	87,412
09	36.0	61,093	79,947	98,802	61,093	80,590	100,086
10	31.0	69,951	91,539	113,127	69,951	92,275	114,598
11	10.0	80,093	104,812	129,532	80,093	105,654	131,216
12	12.0	91,707	120,011	148,315	91,707	120,975	150,243
13	3.0	102,985	137,456	171,927	102,985	138,573	174,162
14	2.0	113,284	151,201	189,119	113,284	152,431	191,577
15	4.0	124,612	166,322	208,031	124,612	167,674	210,736
16	1.0	334,922	334,922	334,922	346,629	346,629	346,629

* Adjusted based on Consumer Price Index change for the San Diego Region

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

AI No 4a: Attachment I

Operating Budget

Position Information (Summary Format)

Fiscal Year 2016

	Midyear FY 2015 FTE's	Position Shifts FTE's	Net Requiring Funding FTE's	Proposed FY 2016 FTE's	Frozen Positions FTE's
<u>MTS Administration</u>					
BOD ADMINISTRATION	3.0	0.0	0.0	3.0	0.0
COMPASS CARD	12.0	0.0	0.0	12.0	0.0
EXECUTIVE	3.0	0.0	0.0	3.0	0.0
FINANCE	21.0	0.0	0.0	21.0	0.0
HUMAN RESOURCES	16.0	0.0	0.0	16.0	0.0
INFORMATION TECHNOLOGY	19.0	0.0	6.0	25.0	0.0
LEGAL	2.0	0.0	0.0	2.0	0.0
MARKETING	9.5	0.0	0.0	9.5	0.0
PLANNING	12.0	0.0	0.0	12.0	-1.0
PROCUREMENT	12.0	0.0	0.0	12.0	-1.0
RIGHT OF WAY	3.0	0.0	0.0	3.0	0.0
RISK	4.0	0.0	0.0	4.0	0.0
SECURITY	43.0	0.0	0.0	43.0	0.0
STORES (Admin)	2.0	0.0	0.0	2.0	0.0
STORES (BUS)	14.0	0.0	0.0	14.0	0.0
STORES (RAIL)	8.0	0.0	0.0	8.0	0.0
TELEPHONE INFORMATION SERVICES	20.0	0.0	0.0	20.0	0.0
TRANSIT STORES	6.0	0.0	0.0	6.0	0.0
Subtotal MTS Administration	209.5	0.0	6.0	215.5	-2.0
<u>Bus Operations</u>					
CONTRACT SERVICES	8.5	0.0	0.0	8.5	0.0
EXECUTIVE (BUS)	4.0	0.0	0.0	4.0	0.0
MAINTENANCE	186.0	0.0	0.0	186.0	0.0
MAINTENANCE-FACILITY	5.0	0.0	0.0	5.0	0.0
PASSENGER SERVICES	6.5	0.0	0.0	6.5	-1.0
REVENUE (BUS)	13.0	0.0	0.0	13.0	0.0
SAFETY	1.0	0.0	0.0	1.0	0.0
TRAINING	11.5	0.0	0.0	11.5	0.0
TRANSPORTATION (BUS)	560.0	0.0	36.0	596.0	0.0
Subtotal Bus Operations	795.5	0.0	36.0	831.5	-1.0
<u>Rail Operations</u>					
EXECUTIVE (RAIL)	7.5	0.0	1.0	8.5	0.0
FACILITIES	67.0	0.0	0.0	67.0	-1.0
LIGHT RAIL VEHICLES	88.0	-1.0	-4.0	83.0	0.0
MAINTENANCE OF WAYSIDE	38.0	0.0	0.0	38.0	0.0
REVENUE (RAIL)	41.2	-1.0	0.0	40.2	0.0
TRACK	18.0	0.0	0.0	18.0	-1.0
TRANSPORTATION (RAIL)	210.3	2.0	0.0	212.3	0.0
Subtotal Rail Operations	470.0	0.0	-3.0	467.0	-2.0
<u>Other MTS Operations</u>					
TAXICAB	10.0	0.0	6.0	16.0	0.0
Subtotal Other MTS Operations	10.0	0.0	6.0	16.0	0.0
Grand Total	1,485.0	0.0	45.0	1,530.0	-5.0

Metropolitan Transit System FY16 Proposed Operating Budget

MTS Board of Directors
Budget Development Committee
April 30, 2015



1



Fiscal Year 2016 Budget Budget Development Process

- MTS uses a zero based budgeting process
 - In traditional historic budgeting, managers only justify variances versus prior year budget
 - The assumption is that the baseline is automatically approved
 - By contrast, in zero-based budgeting, every line item of the budget must be approved
- Process starts in December with template distribution
 - Managers propose amounts for each line item
 - Templates submitted include the details behind each assumption
 - Meetings with each department to validate their assumptions
 - Reviewed versus existing spending trends
 - New initiatives are highlighted and discussed
 - Collaborate on final assumptions before presented to Senior Management and the Board

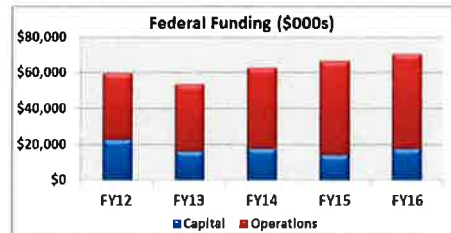


2



Fiscal Year 2016 Budget Revenue Assumptions - Subsidy

- Federal
 - MAP-21 was only authorized through Federal FY 2014
 - New reauthorization still pending
 - MAP-21 has been extended through May 2015 pending new legislation
 - Estimates for FY16 from SANDAG
 - Overall projection is an increase of \$4M over FY15
 - \$2.5M is carryforward (actual apportionment for FY15 was higher than original estimates)
 - Preventive Maintenance
 - Maximize use of Federal for PM
 - Capped at FY07 levels: \$23.2M
 - Keep Capital whole
 - Swap TDA for the amount that exceeds \$23.2M

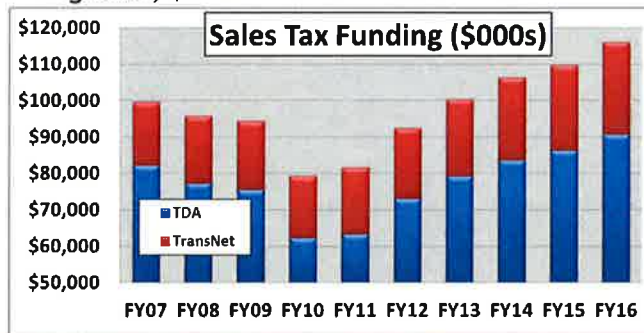


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Fiscal Year 2016 Budget Revenue Assumptions - Subsidy

- TDA and TransNet Formula
 - Sales tax generated, projected by SANDAG
 - FY15 Projected: 4% growth
 - YTD Actual through Q3: 4.0%
 - FY16: 5% growth, \$6.4M increase in formula funds

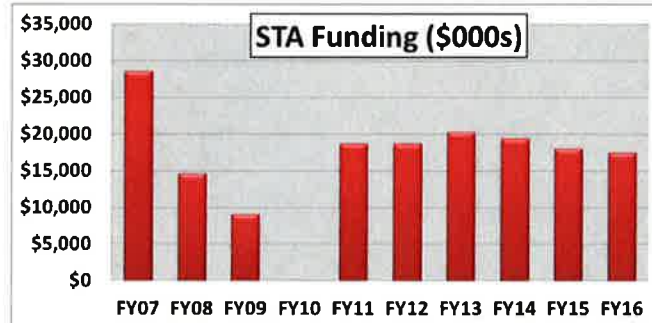


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Fiscal Year 2016 Budget Revenue Assumptions - Subsidy

- State Transit Assistance
 - Projected by the State Controller's Office
 - Average decline of 5% last two years
 - FY15 Budget: \$18.0M - \$14.4M in Capital, \$3.6M in Operations
 - FY16: \$17.5M - \$13.9M in Capital, \$3.6M in Operations



5



Fiscal Year 2016 Budget Revenue Assumptions - Subsidy

- Lease/Leaseback Transactions
 - In 1990 and 1995, MTS entered into two leasing transactions involving light rail vehicles (LRVs)
 - These transactions provided tax benefits to investors in exchange for profit
 - Cash proceeds were used in capital and balance was put in risk free investments for the debt service
 - The operating budget annually reflects both:
 - The investment income within subsidy revenue
 - The debt service costs within expenses
 - Board approved an early payoff of these transactions last September
 - Revenue/payments of \$101M for FY15 amended budget
 - \$18M more in FY16 to finalize the early payoff
 - Board attachments reflect these amounts, but presentation will ignore



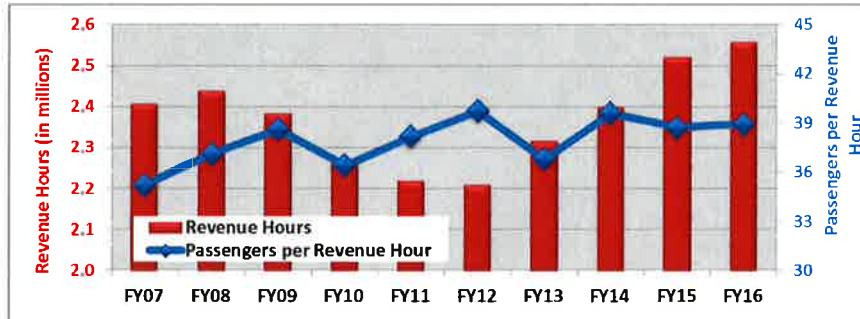
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Fiscal Year 2016 Budget Assumptions - Service Levels

- Service Levels

- Added BRT Service - 114,000 revenue hours in FY15
 - Route 235 (I-15 to Downtown) BRT began in June
 - Routes 215 (Mid-City) and 237 (I-15 to UCSD) BRT began in October
- ADA Paratransit service projected to grow by 8.5%



7



Potential Service Changes: Route 150

Weekday

- Increase midday service from 60-minute frequency to 30-minutes.
- Extend evening service from approximately 7:00 p.m. to 9:30 p.m.

Saturday

- Implement 30-minute service between Old Town and UTC Transit Centers from approximately 7:30 a.m. to 9:30 p.m.

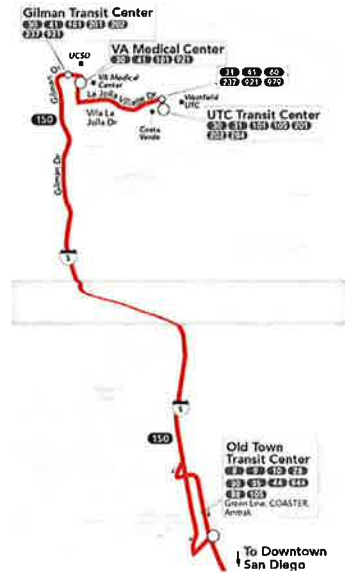


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Route 150

- Weekday high frequency I-5 express route: downtown - UTC via OTTC, UCSD & VA Medical Center.
- Monthly ridership of ~2,750 includes many UCSD pass holders:
 - UPass (student): 20%
 - EcoPass (faculty, staff): 10%
- Precursor to Mid-Coast Trolley.



9



9



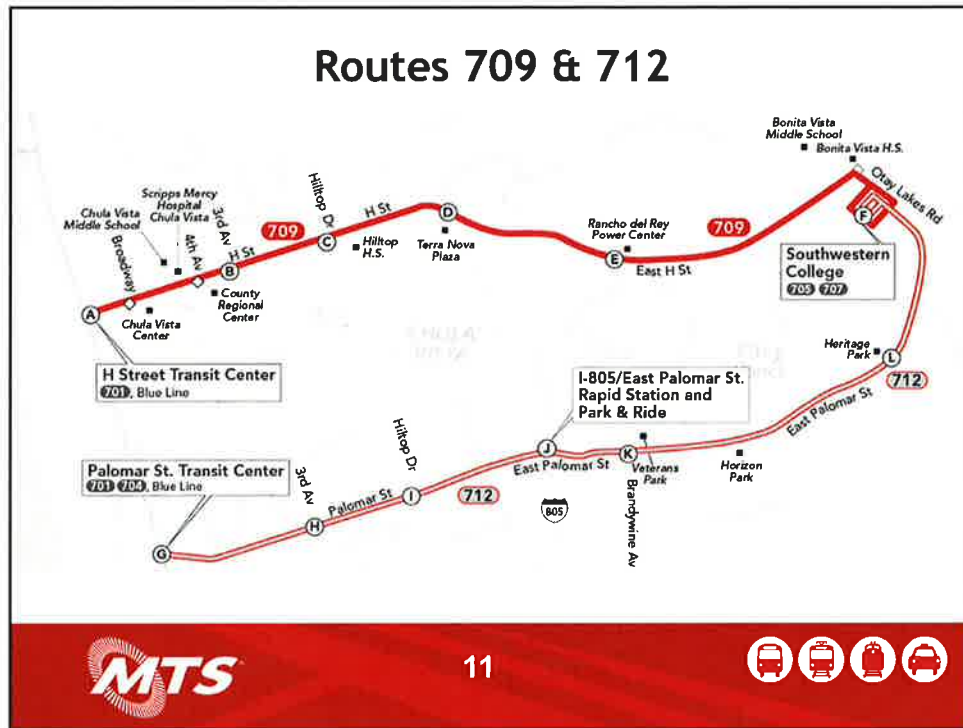
Potential Service Increase: Routes 709 & 712

- Southwestern College Academic Calendar & Class Schedule changes
 - Change from 18-week to 16-week semester
 - Increased number of classes that start earlier (AM peak)
 - Increased number of classes that end later (night span)
- Increased ridership FY15 Q1 & Q2 (+3% vs FY14)
- I-805/East Palomar St. Rapid Station and Park & Ride
 - Park & Ride scheduled to open Fall 2015
 - Route 712 Local and Express service (Fall 2015)
 - Future South Bay Rapid Station (Fall 2017)



10





Preliminary Estimates

Route	Day	Proposal	Annual Cost	Annual Subsidy	New Daily Riders
150	Weekday	Increase weekday midday freq to 30 min., add span	\$379,780	\$251,993	430
150	Saturday	Add service at 30-60 freq., Old Town-UTC.	\$210,387	\$163,694	753
709	Weekday	Increase night span and AM peak service (8 RTs)	\$156,014	\$118,025	251
712	Weekday	Increase night span and AM peak service (6 RTs)	\$136,620	\$107,315	184
			\$882,802	\$641,026	1,618

MTS 12

Icons: Bus, Light Rail, Trolley, Car

TRIAL ROUTE PERFORMANCE

Route	Proposed Service Category	Proposed Goal for Trial Route*	FY15 Q3 Performance	Percent Achievement
14 (Grantville-La Mesa)	Circulator	11.5 (match current)	10.5	91%
170 (Adams Ave. Express)	Express	25.0 (80% of average)	10.1	40%
270 (Rancho Bernardo-Sorrento Mesa)	Premium Express	21.0 (80% of Rt. 810)	10.9	52%

*Per revenue hour. Average in first 12 months of operation with recommendation to discontinue if goal not met.

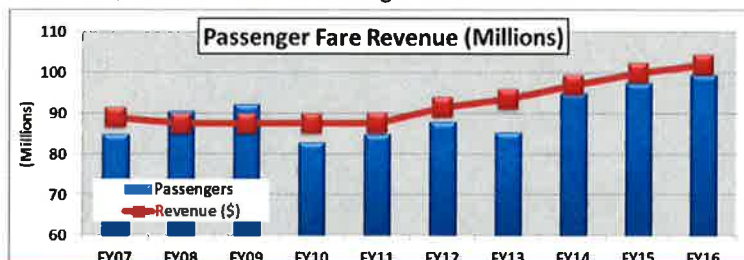


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Fiscal Year 2016 Budget Revenue Assumptions - Passenger Levels

- Ridership
 - Average growth in passengers over last 10 years was 2.3% annually
 - Bureau of Labor Statistics projects 2.1% growth in jobs
 - Currently assuming 2.0% growth in passengers
- Average Fare
 - Projecting no change to the fare structure
 - Results in \$2.0M increase in Passenger Fare Revenue



14



Fiscal Year 2016 Budget Contingency Reserves

- Goal is have a contingency reserve balance of 12.5% of operating expense budget by FY16
- Projected year end contingency reserve balance:

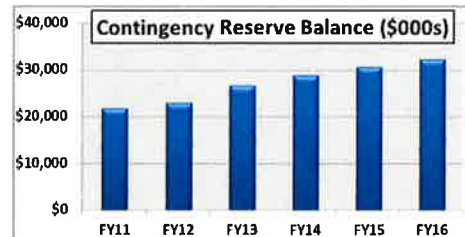
Balance, June 30 , 2014 \$ 28,829

Adjust for FY15 Midyear Operating Budget 1,700

Projected Balance, June 30 , 2015 \$ 30,529

- Target balance is \$32.6M

- Staff recommendation
 - \$2.1M to be added in FY16
 - \$1.1M Biogas Energy Credits
 - \$1.0M from Operations



15



Fiscal Year 2016 Budget Revenue Projection

	FY 2015 Amended	FY 2016 Proposed	Var.	Var. %
Passenger Revenue	\$ 99,926	\$ 101,880	\$ 1,954	2.0%
Other Operating Income	10,209	9,621	(588)	-5.8%
Total Operating Income	\$ 110,134	\$ 111,501	\$ 1,366	1.2%
Federal	53,257	53,112	(145)	-0.3%
TDA	51,428	58,081	6,653	12.9%
Transnet	36,299	37,720	1,421	3.9%
Other	6,407	6,374	(33)	-0.5%
Total Subsidy	\$ 147,391	\$ 155,287	\$ 7,896	5.4%
Contingency Reserves	(1,677)	(2,039)	(362)	-
Total Revenue	\$ 255,848	\$ 264,748	\$ 8,900	3.5%

- Excludes Lease-Leaseback transaction
- Negative Reserve Revenue amounts due to contingency reserve balance being increased



16



Fiscal Year 2016 Budget Expense Assumptions - Personnel

- Personnel costs increasing by \$4.7M (3.9%)
- Headcount increasing by 45 Full Time Equivalents (FTEs)
 - Bus Operators proposing to add 36 FTEs (7% increase)
 - Reduce OT hours from 14% of productive hours to 8%
 - Partially offset by increases to Health & Welfare costs
 - IT proposing to add 6 FTEs
 - External consulting assessment on applications, systems and staffing
 - Identified risk in ability support the growing number of systems/applications/new projects with current staff size
 - LRV Maintenance reducing by 5 FTEs
 - Other Positions
 - System environmental compliance position
 - Taxicab Administration - proposing to add 6 FTEs to manage unlimited number of permits



17



Fiscal Year 2016 Budget Expense Assumptions - Personnel continued

- Management Employees
 - Merit pool assumed at 3.5%
 - Performance Improvement Program, 1.5% pool
 - Pension contribution increases from 6% to 7% January 2016
 - Salary grade ranges increase by CPI (1.3%)
 - Employees at top of range receive lump sum amount
 - Minimal budget impact in FY16, however rate compounding will impact future years
- Health and Welfare costs increasing by \$1.3M (9.6%)
 - Increased number of Bus Operators
 - Employer rates for bargaining unit employees increasing by 5%
 - Anticipate a 7% increase to insurance rates, typically shared by Employees



18



Fiscal Year 2016 Budget Expense Assumptions - Pension Reform

- Total pension plan costs decreasing by \$278K (-1.7%)
 - Employees pay \$4.5M of Gross Pension costs (21.1%)
 - San Diego Transit Pension plan cost decreasing by \$506K (-4.4%)
 - 27% of active members now in Defined Contribution plan
 - CalPERS
 - San Diego Trolley CalPERS plan rate increasing by 5.7%
 - Management original CalPERS plan rate increasing by 6.3%
 - Management PEPRA CalPERS plan rate unchanged
 - 26% of Management employees in this plan

	FY 2015 Amended	FY 2016 Proposed	Var. \$	Var. %
SDTC	\$ 11,626	\$ 11,119	\$ (506)	-4.4%
CalPERS-SDTI	2,063	2,192	129	6.2%
CalPERS-Mgmt	2,755	2,854	99	3.6%
Total	\$ 16,444	\$ 16,166	\$ (278)	-1.7%



19



Fiscal Year 2016 Budget Expense Assumptions - Purchased Transportation

- Purchased Transportation increasing by \$1.5M (2.2%)
 - Fixed Route Contract - TransDev (formerly Veolia)
 - Operate South Bay and East County Divisions
 - Base contract expires June 2021, 6 option years
 - ADA Paratransit Contract - First Transit
 - Operates out of the Copley Park Division
 - Base contract expired June 2015, 1st of 4 option years
 - Service levels growing by 8.5%, \$1.4M increase in cost
 - Minibus Contract - First Transit
 - Operates out of the Copley Park Division
 - Base contract expires June 2016, 5 option years

Service	Cost per Miles/ revenue	Miles/ Hours	FY15 Rate	FY16 Rate	Change
Fixed Route	Mile	9.2M	\$ 5.10	\$ 5.07	-0.7%
ADA Paratransit	Hour	248K	48.98	50.79	3.7%
Minibus	Hour	90K	37.76	38.95	3.1%



20



Fiscal Year 2016 Budget Expense Assumptions - Continued

- Remaining Outside Services increasing by \$1.7M (7.8%)
 - Repairs and Maintenance Services increasing by \$294K (6.4%)
 - Other Outside Services increasing by \$949K (10.8%)
 - Maintenance Service Agreements within Compass Card and IT
 - Engines and Transmissions increasing by \$225K (25.4%)
 - Favorable experience in FY15, total FY16 Budget in line with FY14 Actual
- Total Materials and Supplies increasing by \$454K (4.5%)
 - New LRV parts more expensive, but labor is less intense
- Risk Management increasing by \$679K (17.5%)
 - Favorable experience in FY15, total FY16 Budget in line with FY14 Actual



21



Fiscal Year 2016 Budget Expense Assumptions - Energy

- Electricity Costs - Increasing by \$716K (5.5%)
 - Traction power and facility electric
 - Three components
 - SDG&E - Transmission/demand, 25% increase in FY15
 - Noble Americas - Electricity commodity
 - Direct Access service provider, MTS pays market index rate
 - Electricity Usage (Kilowatt hours or kWh)
 - New cars use more electricity, Blue Line low floor in January

(Trolley only)	FY14 Actual	FY15 Amended	FY16 Proposed	Var.
Rate (per kWh)				
SDG&E	\$ 0.113	\$ 0.142	\$ 0.149	4.9%
Noble	0.072	0.061	0.055	-8.8%
Total	\$ 0.185	\$ 0.203	\$ 0.204	0.8%
kWh (000s)	56,300	60,500	63,000	4.1%
Cost (\$000s)	\$ 10,431	\$ 12,259	\$ 12,868	5.0%



22



Fiscal Year 2016 Budget Expense Assumptions - Energy

- Compressed Natural Gas - Decreasing by \$438K (-5.1%)
 - Commodity price lower by 7.9%
 - SDG&E Transmission costs continue to grow, 35% increase in FY15, projecting 13% in FY16
- Diesel/Gasoline - Increasing by \$492K (7.3%)
 - Crude oil prices bottomed out in FY15, projected to increase by 10% over the coming year
 - Increased ADA Paratransit Service requires higher Gasoline usage

Fuel Type	Unit of Measure	FY14 Actual	FY15 Amended	FY16 Proposed	Change	Annual Cost (\$000s)	Cost per \$0.01 Increase	Avg. Cost/ Mile
CNG	Therm	\$ 0.89	\$ 0.89	\$ 0.85	-4.8%	\$ 8,200	\$92,100	\$0.38
Gasoline	Gallon	3.34	2.72	3.33	22.5%	4,900	17,900	0.75
Diesel	Gallon	3.31	2.63	2.82	7.1%	2,300	8,100	0.84
Electricity	kWh	0.18	0.20	0.20	1.1%	13,700	629,800	1.50



23



Fiscal Year 2016 Budget Expense Projection

	FY 2015 Amended	FY 2016 Proposed	Var.	Var. %
Personnel Expenses	\$ 119,710	\$ 124,503	\$ (4,793)	-4.0%
Outside Services	87,460	90,591	(3,131)	-3.6%
Materials and Supplies	10,082	10,536	(454)	-4.5%
Energy	29,326	30,097	(771)	-2.6%
Risk Management	3,875	4,554	(679)	-17.5%
Other	5,395	4,467	928	17.2%
Total Expenses	\$ 255,848	\$ 264,748	\$ (8,900)	-3.5%

- Excludes Lease-Leaseback transaction
- Adjusting for the increased service levels, expenses are growing by \$6.5M or 2.5%



24



Fiscal Year 2016 Budget Consolidated Revenues less Expenses

	FY 2015 Amended	FY 2016 Proposed	Var.	Var. %
Operating Revenues	\$ 110,134	\$ 111,501	\$ 1,366	1.2%
Subsidy Revenues	147,391	155,287	7,896	5.4%
Reserve Revenues	(1,677)	(2,039)	(362)	-
Total Revenues	\$ 255,848	\$ 264,748	\$ 8,900	3.5%
Total Expenses	255,848	264,748	(8,900)	-3.5%
Revenues Less Expenses	\$ 0	\$ (0)	\$ 0	-

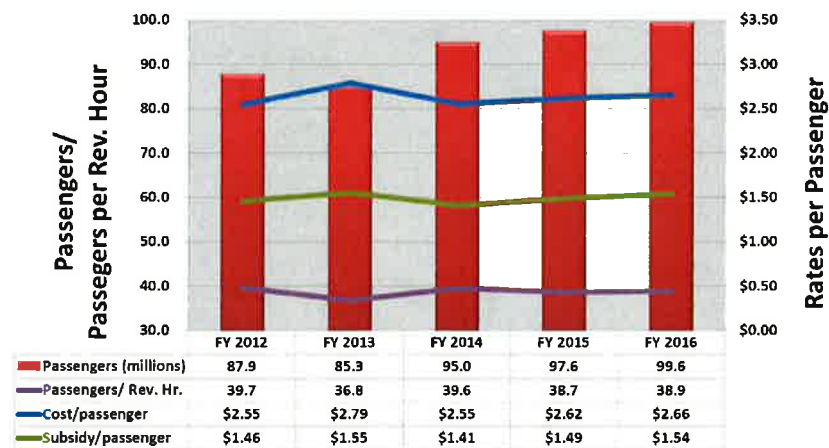
- Excludes Lease-Leaseback transaction
- Negative Reserve Revenue amounts due to contingency reserve balance being increased



25



Fiscal Year 2016 Budget 5 Year Trend - Rates per Passenger



* Excludes Lease/Leaseback investment income and debt service



26



Fiscal Year 2016 Budget 5 Year Projection (\$000s)

	FY 2016 Proposed	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Operating Revenues	\$ 111,501	\$ 113,524	\$ 115,587	\$ 117,700	\$ 119,855
Recurring Subsidy Revenues	155,287	158,909	162,769	166,780	170,950
Total Recurring Revenues	\$ 266,788	\$ 272,433	\$ 278,356	\$ 284,480	\$ 290,805
Total Operating Expenses	264,748	272,643	280,619	289,101	297,297
Net Operating Deficit	\$ 2,039	\$ (210)	\$ (2,263)	\$ (4,621)	\$ (6,492)
Non-recurring Subsidy Revenues	(2,039)	-	-	-	-
Total Revenues Less Expenses	\$ (0)	\$ (210)	\$ (2,263)	\$ (4,621)	\$ (6,492)

Revenue Assumptions:

- Annual operating revenue growth of 1.8%
- TDA\Transnet grows by 4%
- Federal revenue remains flat

Expense Assumptions:

- Annual expenses growth of 2.9%
- Pension actuary assumptions
- Health & Welfare costs grow by 7%
- Purchased Transportation rates per contracts
- Energy rates projected using DOE data



27



Fiscal Year 2016 Budget BDC Direction

- Reserves to 12.5% by FY16
 - 12.5% target = \$32.7M, \$30.6M projected, \$2.1M short
 - Staff recommends using \$1.1M of Biogas Energy Credits and \$1.0M from Operations to get to the goal
- Transit Store Relocation
- Third Vintage Trolley
 - Restore PCC 531
 - \$100,000 estimated cost



28



Fiscal Year 2016 Budget On Going Concerns

- Economy
- Federal Reauthorization
- Energy
 - Commodity prices
 - SDG&E Rate growth on both Electricity and CNG
- ADA Paratransit service levels
- Trolley capacity constraints
- Funding large capital projects
 - New bus maintenance facility
 - SD100s replacements



29



Fiscal Year 2016 Budget Staff Recommendation

That the Budget Development Committee:

1. Receive the report on the proposed combined MTS fiscal year 2016 operating budget; and
2. Forward a recommendation to the Board of Directors to recommend staff hold a public hearing on May 14, 2015 with the purpose of reviewing the proposed combined MTS fiscal year 2016 operating budget.



30

