



1255 Imperial Avenue, Suite 1000
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Agenda

SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

March 28, 2019

9:00 a.m.

James R. Mills Building
Executive Committee Room, 10th Floor
1255 Imperial Avenue, San Diego

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ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes – February 28, 2019 Approve
3. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board.

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. and San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations). 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.



COMMITTEE DISCUSSION ITEMS

4. [Fiscal Year 2020 Operating Budget Discussion \(Mike Thompson\)](#) Receive
Action would receive a report regarding fiscal year (FY) 2020 operating budget development and provide guidance on budgetary issues.
5. [Revisions to Board Policy No. 36, "MTS Reserve Funds Policy" \(Mike Thompson\)](#) Approve
Action would recommend that the Board of Directors approve and adopt the updated Board Policy No. 36, "MTS Reserve Funds".
6. Next Meeting Date: April 25, 2019
7. Adjournment

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

February 28, 2019

MINUTES

1. ROLL CALL

Ms. Gomez called the Budget Development Committee (BDC) meeting to order at 9:03 a.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Arambula moved to approve the minutes of the April 26, 2018, San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Fletcher seconded the motion, and the vote was 3 to 0 in favor, with Ms. Aguirre and Ms. Salas absent.

3. PUBLIC COMMENTS

There were no public comments.

4a. APPOINTMENT OF COMMITTEE CHAIRPERSON AND VICE CHAIR PERSON

Mr. Fletcher moved to nominate Mayor Salas as Committee Chairperson, and Ms. Gomez nominated Mr. Fletcher as Vice Chairperson

Action Taken

The vote for Mayor Salas as Committee Chairperson was 3-0 in favor, with Ms. Aguirre and Ms. Salas absent.

4b. FISCAL YEAR 2019 MIDYEAR ADJUSTMENT

Paul Jablonski, Chief Executive Officer, gave an overview of the meeting including the mid-year report and existing year's budget adjustment, Fiscal Year (FY) 20 budget with high level assumption issues, and the capital improvements program.

Mike Thompson, Director of Financial Planning and Analysis, spoke about SB1 not being repealed and the additional revenue for State Transit Assistance (STA) going forward. He presented a PowerPoint about the history and changes of STA from FY07 through FY19. He discussed revenue assumptions and stated that this year, MTS plans on receiving a total of \$30 million in FY19 receipts and made recommendations of how to allocate the funds.

Mr. Thompson discussed revenue assumptions involving passenger levels. FY19 is projected at 85.8 million passengers, which is a 00.7% increase over FY18. Revenue was \$240K unfavorable in December year-to-date, but it is projected to get back to

budget. Other operating revenue, including energy credit revenues, is expected to increase by \$3 million.

Mr. Thompson reviewed the FY19 midyear expenses assumption summary. He stated that personnel costs are increasing by \$1.6 million and were unfavorable by \$1 million due to an increase in Rail operating wages. Fringe benefits were unfavorable mainly due to the Riverstone bankruptcy. He noted that \$5 million of TDA (Transportation Development Act) funds from Capital, \$2 million from STA, and \$500K from FY18 surplus are being used to balance the FY19 budget.

Action Taken

Ms. Gomez moved to forward a recommendation to the MTS Board of Directors to enact Resolution No. 19-1 amending the FY19 operating budget. Mr. Arambula seconded the motion, and the vote was 3 to 0 in favor, with Ms. Aguirre and Ms. Salas absent.

4c. FISCAL YEAR 2020 OPERATING BUDGET DISCUSSION

Mr. Thompson stated that he would be presenting high-level projections and assumptions. With the fare increase and growth in passengers next year, MTS is expecting an increase of \$6 million in revenue. He spoke of continued growth in sales tax receipt revenue with out-of-state retailers that are required to collect and remit sales tax. On the expense side, the service levels would increase by 2.4% in Revenue Service Miles. Fringe Benefits will include a \$300K increase in San Diego Transit's self-funded pension plan and \$910K for CalPERS pension payments.

Action Taken

No action was taken. Informational item only.

4d. FISCAL YEAR 2020 CAPITAL IMPROVEMENT PROGRAM

Mr. Thompson went over the historical trend of the Capital Improvement Program (CIP) to build the current CIP. Federal recurring revenues is anticipating to increase by \$10.7 million in FY20 (with \$28.3 million for CIP) and projecting \$38.6 million in TDA funding for CIP. Recurring revenue from Cap and Trade Low Carbon Transit Operations Program (LCTOP) funding and carryover from FY18 cash receipts will go toward funding the Zero-Emission Bus Pilot Program. Mr. Thompson discussed nonrecurring revenues, a Federal 5339 award of \$3.9 million, and the Cap-and-Trade Transit and Intercity Rail Capital Program (TIRCP) award of \$40.1 million.

Mr. Thompson went over the FY20 projects that will be funded. Operational and safety needs are considered the priority, and all will be funded this year. He discussed the need for a new bus maintenance facility (as all facilities are close to capacity) in order to keep with growing the agency, and the Fare System upgrades (with a total project cost of \$31 million).

Action Taken

Ms. Gomez moved to forward a recommendation to the MTS Board of Directors to:

1. Approve the fiscal year 2020 CIP with the estimated federal and nonfederal funding levels. As the federal appropriations figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels;
2. Recommend that the San Diego Association of Governments (SANDAG) Board of Directors approve the submittal of Federal Section 5307 and 5337 applications for the MTS fiscal year 2020 CIP; and
3. Recommend that the SANDAG Board of Directors approve Amendment No. 2 to the 2018 Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2020 CIP recommendations.

Mr. Arambula seconded the motion, and the vote was 3 to 0 in favor, with Ms. Aguirre and Ms. Salas absent.

5. Adjournment

Ms. Gomez adjourned the meeting at 10:37 a.m.

/s/ Mary Salas
Chair of the Budget Development Committee

/s/ Veronica Quinci
Clerk of the Budget Development Committee

Attachment: Roll Call Sheet

BUDGET DEVELOPMENT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) 2/28/19

CALL TO ORDER (TIME) 9:03 AM

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 10:37 AM

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
AGUIRRE <input type="checkbox"/>		
ARAMBULA <input checked="" type="checkbox"/>	9:03 AM	10:37 AM
FLETCHER <input checked="" type="checkbox"/>	9:03 AM	10:37 AM
GÓMEZ <input checked="" type="checkbox"/>	9:03 AM	10:37 AM
SALAS <input type="checkbox"/>		

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE:

Veronica Quinci

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

Karl Case



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Agenda Item No. 4

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

March 28, 2019

SUBJECT:

FISCAL YEAR 2020 OPERATING BUDGET DISCUSSION (MIKE THOMPSON)

RECOMMENDATION:

That the Budget Development Committee (BDC) receive a report regarding fiscal year (FY) 2020 operating budget development and provide guidance on budgetary issues.

Budget Impact

None at this time.

DISCUSSION:

MTS staff has completed the zero-based budgeting process used to build the operating budget for fiscal year 2020. In MTS's process, every line item budget is approved each year. Department managers complete budget templates in which they propose amounts for each line item, submitted with the appropriate supporting details for each assumption. (In contrast, with a traditional historic budgeting process, managers only justify variances versus prior year budget; the assumption is that the baseline is automatically approved.)

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 assumptions that are then presented to and reviewed by senior management at MTS.

In this meeting, staff will review the major revenue and expense assumptions in the current draft of the operating budget, including subsidy revenue, passenger levels, other operating revenue, personnel assumptions, energy rates and other expense assumptions. Overall MTS consolidated revenues and expenses are presented in attachment A.

This latest projection shows overall expense growth of \$12.8 million (4.4%), which includes approximately \$2.7 million in additional service for the first full year of the South



Bay Bus Rapid Transit. This is partially offset by revenue growth of \$12.5 million (4.3%), resulting in a deficit of \$296,000.

/s/ Paul C. Jablonski
Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Mike Thompson, 619.557.4557, mike.thompson@sdmts.com

Attachments: A. FY20 Operating Budget – Consolidated MTS
B. FY20 Operating Budget – Consolidated Operations
C. FY20 Operating Budget – Consolidated Administration
D. FY20 Operating Budget – Consolidated Other Activities
E. FY20 Operating Budget – Consolidated Revenue Summary

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATING BUDGET SUMMARY
FISCAL YEAR 2020
SECTION 2.01**

	ACTUAL FY18	AMENDED BUDGET FY19	PROPOSED BUDGET FY20	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
OPERATING REVENUE					
PASSENGER REVENUE	90,235,808	92,087,214	97,087,214	5,000,000	5.4%
OTHER OPERATING REVENUE	19,124,742	19,627,927	18,338,928	(1,288,999)	-6.6%
TOTAL OPERATING REVENUES	109,360,550	111,715,141	115,426,142	3,711,001	3.3%
NON OPERATING REVENUE					
TOTAL SUBSIDY REVENUE	172,674,364	178,802,506	187,817,450	9,014,944	5.0%
OTHER NON OPERATING REVENUE					
RESERVE REVENUE	431,324	1,430,176	1,253,885	(176,291)	-12.3%
OTHER INCOME	-	-	-	-	-
TOTAL OTHER NON OPERATING REVENUE	431,324	1,430,176	1,253,885	(176,291)	-12.3%
TOTAL NON OPERATING REVENUE	173,105,688	180,232,682	189,071,335	8,838,653	4.9%
TOTAL COMBINED REVENUES	282,466,237	291,947,823	304,497,477	12,549,654	4.3%
OPERATING EXPENSES					
LABOR EXPENSES	78,212,938	80,460,934	82,961,225	2,500,291	3.1%
FRINGE EXPENSES	53,215,179	55,140,782	57,732,059	2,591,277	4.7%
TOTAL PERSONNEL EXPENSES	131,428,117	135,601,716	140,693,284	5,091,568	3.8%
SECURITY EXPENSES	6,926,558	7,073,000	7,936,000	863,000	12.2%
REPAIR/MAINTENANCE SERVICES	5,193,242	5,289,380	5,326,694	37,314	0.7%
ENGINE AND TRANSMISSION REBUILD	1,215,821	1,265,101	1,296,000	30,899	2.4%
OTHER OUTSIDE SERVICES	12,192,967	12,645,275	13,164,068	518,793	4.1%
PURCHASED TRANSPORTATION	69,780,284	76,656,453	81,216,221	4,559,768	5.9%
TOTAL OUTSIDE SERVICES	95,308,872	102,929,209	108,938,983	6,009,774	5.8%
LUBRICANTS	539,398	553,750	504,000	(49,750)	-9.0%
TIRES	1,206,586	1,474,514	1,525,000	50,486	3.4%
OTHER MATERIALS AND SUPPLIES	10,355,858	10,768,147	10,829,752	61,605	0.6%
TOTAL MATERIALS AND SUPPLIES	12,101,842	12,796,411	12,858,752	62,341	0.5%
GAS/DIESEL/PROPANE	4,081,890	3,695,163	3,633,501	(61,662)	-1.7%
CNG	8,451,737	9,430,000	9,794,000	364,000	3.9%
TRACTION POWER	10,947,666	12,100,000	12,100,000	-	0.0%
UTILITIES	3,935,466	4,493,877	4,487,397	(6,480)	-0.1%
TOTAL ENERGY	27,416,759	29,719,040	30,014,898	295,858	1.0%
RISK MANAGEMENT	7,192,890	3,722,130	4,772,562	1,050,432	28.2%
GENERAL AND ADMINISTRATIVE	4,343,539	4,502,529	5,255,234	752,705	16.7%
DEBT SERVICE	1,595,222	1,480,937	985,064	(495,873)	-33.5%
VEHICLE / FACILITY LEASE	1,027,656	1,195,850	1,274,900	79,050	6.6%
TOTAL OPERATING EXPENSES	280,414,897	291,947,822	304,793,677	12,845,855	4.4%
NET OPERATING SUBSIDY	(171,054,348)	(180,232,681)	(189,367,535)	9,134,854	5.1%
OVERHEAD ALLOCATION	0	-	0	-	0.0%
ADJUSTED NET OPERATING SUBSIDY	(171,054,348)	(180,232,681)	(189,367,535)	9,134,854	5.1%
TOTAL REVENUES LESS TOTAL EXPENSES	2,051,340	1	(296,200)	296,201	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS BUDGET
FISCAL YEAR 2020
SECTION 2.02**

	ACTUAL FY18	AMENDED BUDGET FY19	PROPOSED BUDGET FY20	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
OPERATING REVENUE					
PASSENGER REVENUE	90,235,808	92,087,214	97,087,214	5,000,000	5.4%
OTHER OPERATING REVENUE	1,224,287	840,000	795,000	(45,000)	-5.4%
TOTAL OPERATING REVENUES	91,460,095	92,927,214	97,882,214	4,955,000	5.3%
NON OPERATING REVENUE					
TOTAL SUBSIDY REVENUE	172,158,381	178,682,506	187,475,351	8,792,845	4.9%
OTHER NON OPERATING REVENUE					
RESERVE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL OTHER NON OPERATING REVENUE	-	-	-	-	-
TOTAL NON OPERATING REVENUE	172,158,381	178,682,506	187,475,351	8,792,845	4.9%
TOTAL COMBINED REVENUES	263,618,475	271,609,720	285,357,565	13,747,845	5.1%
OPERATING EXPENSES					
LABOR EXPENSES	63,788,877	65,151,380	66,868,195	1,716,815	2.6%
FRINGE EXPENSES	46,926,042	48,158,240	50,561,988	2,403,748	5.0%
TOTAL PERSONNEL EXPENSES	110,714,919	113,309,620	117,430,183	4,120,563	3.6%
SECURITY EXPENSES	515,432	584,000	986,000	402,000	68.8%
REPAIR/MAINTENANCE SERVICES	5,007,132	5,021,880	5,119,694	97,814	1.9%
ENGINE AND TRANSMISSION REBUILD	1,215,821	1,265,101	1,296,000	30,899	2.4%
OTHER OUTSIDE SERVICES	3,445,827	3,347,582	3,440,111	92,529	2.8%
PURCHASED TRANSPORTATION	69,780,284	76,656,453	81,216,221	4,559,768	5.9%
TOTAL OUTSIDE SERVICES	79,964,496	86,875,016	92,058,026	5,183,010	6.0%
LUBRICANTS	539,398	553,750	504,000	(49,750)	-9.0%
TIRES	1,206,586	1,474,514	1,525,000	50,486	3.4%
OTHER MATERIALS AND SUPPLIES	10,313,642	10,751,428	10,822,352	70,924	0.7%
TOTAL MATERIALS AND SUPPLIES	12,059,626	12,779,692	12,851,352	71,660	0.6%
GAS/DIESEL/PROPANE	3,975,226	3,556,736	3,497,751	(58,985)	-1.7%
CNG	8,451,737	9,430,000	9,794,000	364,000	3.9%
TRACTION POWER	10,947,666	12,100,000	12,100,000	-	0.0%
UTILITIES	3,277,132	3,772,498	3,765,020	(7,478)	-0.2%
TOTAL ENERGY	26,651,761	28,859,234	29,156,771	297,537	1.0%
RISK MANAGEMENT	6,750,416	3,223,257	4,112,418	889,161	27.6%
GENERAL AND ADMINISTRATIVE	890,086	703,600	746,274	42,674	6.1%
DEBT SERVICE	851,685	736,882	612,915	(123,967)	-16.8%
VEHICLE / FACILITY LEASE	863,956	1,002,650	1,069,900	67,250	6.7%
TOTAL OPERATING EXPENSES	238,746,945	247,489,951	258,037,839	10,547,888	4.3%
NET OPERATING SUBSIDY	(147,286,851)	(154,562,737)	(160,155,625)	5,592,888	3.6%
OVERHEAD ALLOCATION	(24,871,535)	(24,119,768)	(27,615,925)	(3,496,157)	14.5%
ADJUSTED NET OPERATING SUBSIDY	(172,158,386)	(178,682,505)	(187,771,550)	9,089,045	5.1%
TOTAL REVENUES LESS TOTAL EXPENSES	(5)	1	(296,200)	296,201	-29620077.1%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATIVE BUDGET
FISCAL YEAR 2020
SECTION 2.03**

	ACTUAL FY18	AMENDED BUDGET FY19	PROPOSED BUDGET FY20	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
OPERATING REVENUE					
PASSENGER REVENUE	-	-	-	-	-
OTHER OPERATING REVENUE	16,800,127	17,694,727	16,454,928	(1,239,799)	-7.0%
TOTAL OPERATING REVENUES	16,800,127	17,694,727	16,454,928	(1,239,799)	-7.0%
NON OPERATING REVENUE					
TOTAL SUBSIDY REVENUE	515,983	120,000	342,100	222,100	185.1%
OTHER NON OPERATING REVENUE	-	-	-	-	-
RESERVE REVENUE	-	1,100,000	800,000	(300,000)	-27.3%
OTHER INCOME	-	-	-	-	-
TOTAL OTHER NON OPERATING REVENUE	-	1,100,000	800,000	(300,000)	-27.3%
TOTAL NON OPERATING REVENUE	515,983	1,220,000	1,142,100	(77,900)	-6.4%
TOTAL COMBINED REVENUES	17,316,110	18,914,727	17,597,028	(1,317,699)	-7.0%
OPERATING EXPENSES					
LABOR EXPENSES	13,817,418	14,751,554	15,498,541	746,987	5.1%
FRINGE EXPENSES	5,953,899	6,715,942	6,906,911	190,969	2.8%
TOTAL PERSONNEL EXPENSES	19,771,316	21,467,496	22,405,452	937,956	4.4%
SECURITY EXPENSES	6,411,126	6,489,000	6,950,000	461,000	7.1%
REPAIR/MAINTENANCE SERVICES	180,519	263,000	200,000	(63,000)	-24.0%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	8,514,885	9,066,443	9,439,707	373,264	4.1%
PURCHASED TRANSPORTATION	-	-	-	-	-
TOTAL OUTSIDE SERVICES	15,106,530	15,818,443	16,589,707	771,264	4.9%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	41,176	15,619	5,400	(10,219)	-65.4%
TOTAL MATERIALS AND SUPPLIES	41,176	15,619	5,400	(10,219)	-65.4%
GAS/DIESEL/PROPANE	102,226	132,397	129,750	(2,647)	-2.0%
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	645,714	706,379	709,877	3,498	0.5%
TOTAL ENERGY	747,940	838,776	839,627	851	0.1%
RISK MANAGEMENT	368,009	373,573	533,844	160,271	42.9%
GENERAL AND ADMINISTRATIVE	3,302,709	3,662,809	4,364,040	701,231	19.1%
DEBT SERVICE	743,537	744,055	372,149	(371,906)	-50.0%
VEHICLE / FACILITY LEASE	140,565	170,000	180,000	10,000	5.9%
TOTAL OPERATING EXPENSES	40,221,782	43,090,771	45,290,219	2,199,448	5.1%
NET OPERATING SUBSIDY	(23,421,655)	(25,396,044)	(28,835,291)	3,439,247	13.5%
OVERHEAD ALLOCATION	24,957,018	24,176,044	27,693,191	3,517,147	14.5%
ADJUSTED NET OPERATING SUBSIDY	1,535,363	(1,220,000)	(1,142,100)	(77,900)	-6.4%
TOTAL REVENUES LESS TOTAL EXPENSES	2,051,346	-	-	-	-

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OTHER ACTIVITIES BUDGET
FISCAL YEAR 2020
SECTION 2.04**

	ACTUAL FY18	AMENDED BUDGET FY19	PROPOSED BUDGET FY20	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
OPERATING REVENUE					
PASSENGER REVENUE	-	-	-	-	-
OTHER OPERATING REVENUE	1,100,328	1,093,200	1,089,000	(4,200)	-0.4%
TOTAL OPERATING REVENUES	1,100,328	1,093,200	1,089,000	(4,200)	-0.4%
NON OPERATING REVENUE					
TOTAL SUBSIDY REVENUE	-	-	-	-	-
OTHER NON OPERATING REVENUE					
RESERVE REVENUE	431,324	330,176	453,885	123,709	37.5%
OTHER INCOME	-	-	-	-	-
TOTAL OTHER NON OPERATING REVENUE	431,324	330,176	453,885	123,709	37.5%
TOTAL NON OPERATING REVENUE	431,324	330,176	453,885	123,709	37.5%
TOTAL COMBINED REVENUES	1,531,652	1,423,376	1,542,885	119,509	8.4%
OPERATING EXPENSES					
LABOR EXPENSES	606,643	558,000	594,489	36,489	6.5%
FRINGE EXPENSES	335,238	266,600	263,160	(3,440)	-1.3%
TOTAL PERSONNEL EXPENSES	941,881	824,600	857,649	33,049	4.0%
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	5,591	4,500	7,000	2,500	55.6%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	232,255	231,250	284,250	53,000	22.9%
PURCHASED TRANSPORTATION	-	-	-	-	-
TOTAL OUTSIDE SERVICES	237,846	235,750	291,250	55,500	23.5%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	1,040	1,100	2,000	900	81.8%
TOTAL MATERIALS AND SUPPLIES	1,040	1,100	2,000	900	81.8%
GAS/DIESEL/PROPANE	4,439	6,030	6,000	(30)	-0.5%
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	12,620	15,000	12,500	(2,500)	-16.7%
TOTAL ENERGY	17,058	21,030	18,500	(2,530)	-12.0%
RISK MANAGEMENT	74,465	125,300	126,300	1,000	0.8%
GENERAL AND ADMINISTRATIVE	150,744	136,120	144,920	8,800	6.5%
DEBT SERVICE	-	-	-	-	-
VEHICLE / FACILITY LEASE	23,135	23,200	25,000	1,800	7.8%
TOTAL OPERATING EXPENSES	1,446,170	1,367,100	1,465,619	98,519	7.2%
NET OPERATING SUBSIDY	(345,842)	(273,900)	(376,619)	102,719	37.5%
OVERHEAD ALLOCATION	(85,483)	(56,276)	(77,266)		37.3%
ADJUSTED NET OPERATING SUBSIDY	(431,325)	(330,176)	(453,885)	123,709	37.5%
TOTAL REVENUES LESS TOTAL EXPENSES	(1)	-	0	(0)	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
REVENUE BUDGET SUMMARY
FISCAL YEAR 2020
SECTION 3.02**

	ACTUAL FY18	AMENDED BUDGET FY19	PROPOSED BUDGET FY20	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	90,235,808	92,087,214	97,087,214	5,000,000	5.4%
OTHER INCOME	19,124,742	19,627,927	18,338,928	(1,288,999)	-6.6%
TOTAL OPERATING REVENUE	109,360,550	111,715,141	115,426,142	3,711,001	3.3%
NON OPERATING REVENUE					
SUBSIDY REVENUE					
FEDERAL REVENUE	59,136,326	61,182,833	63,182,833	2,000,000	3.3%
TRANSPORTATION DEVELOPMENT ACT (TDA)	64,096,043	63,040,809	63,505,008	464,199	0.7%
STATE TRANSIT ASSISTANCE (STA)	6,463,830	8,756,340	11,300,000	2,543,660	29.0%
STATE REVENUE - OTHER	1,390,500	0	0	0	-
TRANSNET	40,059,149	44,266,706	47,633,793	3,367,087	7.6%
OTHER LOCAL SUBSIDIES	1,392,305	1,555,817	2,195,817	640,000	41.1%
TOTAL SUBSIDY REVENUE	172,538,153	178,802,505	187,817,450	9,014,945	5.0%
OTHER REVENUE					
OTHER FUNDS	-	-	-	0	-
RESERVES REVENUE	431,324	1,430,176	1,257,019	(173,157)	-12.1%
TOTAL OTHER REVENUE	431,324	1,430,176	1,257,019	(173,157)	-12.1%
TOTAL NON OPERATING REVENUE	172,969,477	180,232,681	189,074,469	8,841,788	4.9%
GRAND TOTAL REVENUES	282,330,027	291,947,822	304,500,611	12,552,789	4.3%

Metropolitan Transit System FY 2020 Operating Budget Update

MTS Board of Directors
Budget Development Committee
March 28, 2019



Fiscal Year 2020 Operating 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 started in January
 - Managers propose amounts for each line item
 - Online submissions 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



Fiscal Year 2020 Operating Budget Revenue Assumptions - Subsidy

- Federal

- Surface Transportation Reauthorization

- Fixing America's Surface Transportation (FAST)

- Legislation in place through Federal Fiscal Year (FFY) 2020
- 5307: Urban Area formula funding
- 5337: State of Good Repair formula funding
- 5339: Bus and Bus Facilities formula funding

- Preventive Maintenance(PM)

- Maximize use of Federal for PM for cash flow

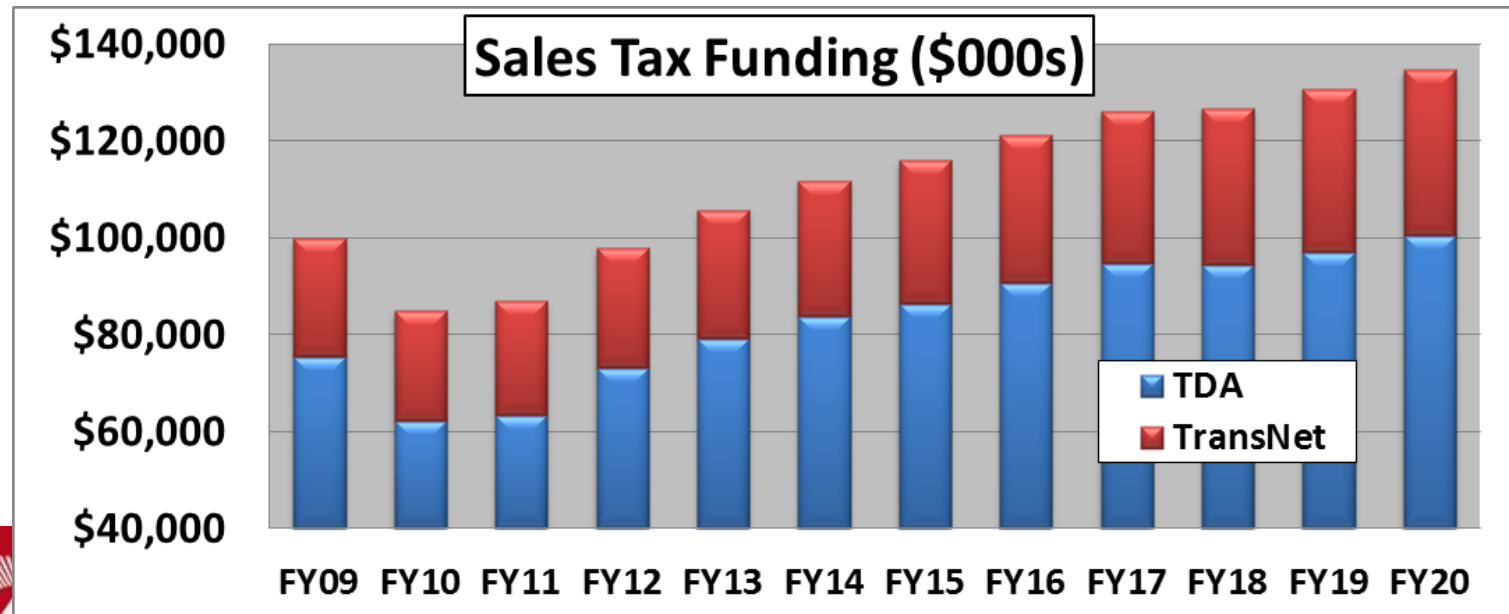
- Federal funding received on a reimbursement basis
- Swap with TDA to preserve Capital share
- Increase in Operating Budget of \$2.0M



Fiscal Year 2020 Operating Budget

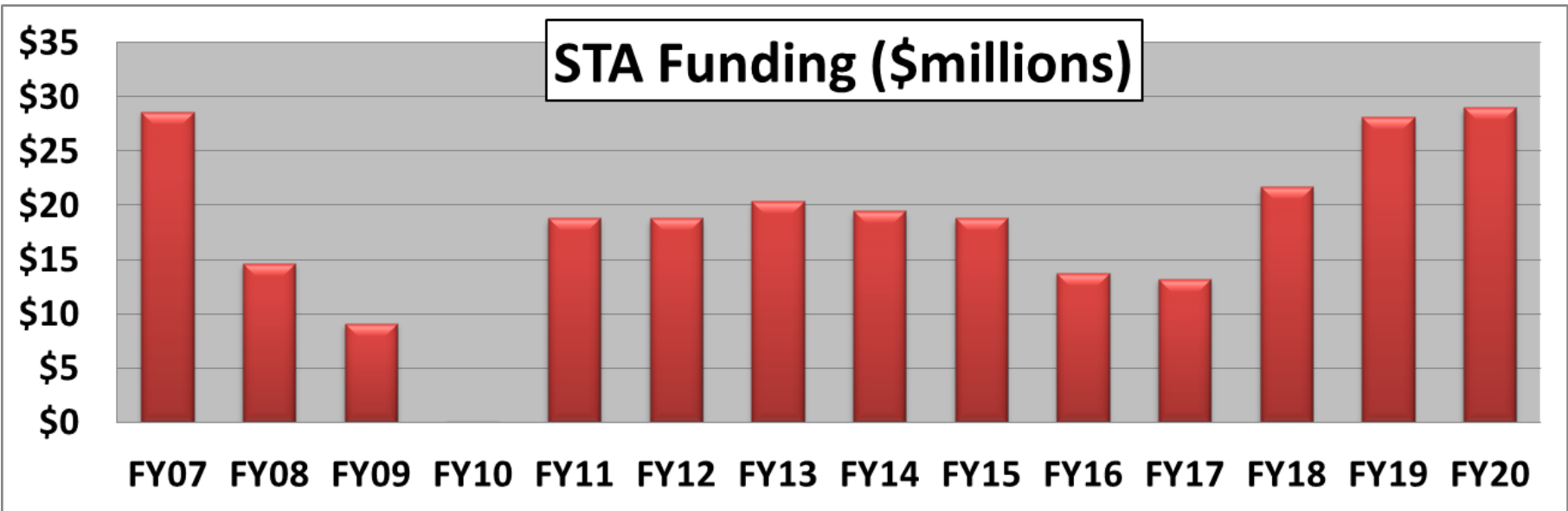
Revenue Assumptions - Subsidy

- TDA and TransNet formula funding
 - Projected to grow for the 10th straight year
 - Sales tax generated, projected by SANDAG
 - FY19 YTD Actual through Q3: 4.4%
 - FY20: 3.0% growth for TDA, Transnet
 - Transnet - \$279K increase in formula funds
 - TDA - After swap with CIP, share to Operating budget increases by \$464K



Fiscal Year 2020 Operating Budget Revenue Assumptions - Subsidy

- State Transit Assistance (STA)/Senate Bill 1 (SB1)
 - Projected by the State Controller's Office in January and August
 - Sales tax on Diesel fuels
 - Using 3.2% projected growth
 - \$11.3M to be included in Operating Budget, remainder in Capital



Fiscal Year 2020 Operating Budget

Revenue Assumptions - Passenger Levels

- Passenger Revenue/Ridership
 - FY19 projected at 85.4M
 - 0.7% growth over FY18
 - First year of passenger growth since FY15
 - FY20 projecting 500K additional riders
 - South Bay BRT full service began in Jan 2019
 - Organic growth
 - Partially offset by projected ridership loss due to fare increase
 - Fare increase was approved
 - Overall \$5.0M increase in Passenger Revenue



Fiscal Year 2020 Operating Budget Revenue Projection (\$000s)

	FY 2019 Amended	FY 2020 Proposed	Var.	Var. %
Passenger Revenue	\$ 92,087	\$ 97,087	\$ 5,000	5.4%
Other Operating Revenue	19,628	18,339	(1,289)	-6.6%
Total Operating Revenue	\$ 111,715	\$ 115,426	\$ 3,711	3.3%
Federal	61,183	63,183	2,000	3.3%
TDA	63,041	63,505	464	0.7%
TransNet Formula	28,287	28,566	279	1.0%
TransNet Operating	15,980	19,068	3,088	19.3%
STA	8,756	11,300	2,544	29.0%
Other	1,556	2,196	640	41.1%
Total Subsidy	\$ 178,803	\$ 187,817	\$ 9,015	5.0%
Reserves	1,430	1,254	(176)	-
Total Revenue	\$ 291,948	\$ 304,497	\$ 12,550	4.3%

- Reserves relate to SD&AE and Taxicab Admin self funded activities, and Ballot Measure Project



Fiscal Year 2020 Operating Budget Expense Assumptions - Personnel

- Labor Expenses increasing by \$2.5M (3.1%)
 - No changes to headcount
 - Mid-Coast: 4 Revenue Maintainers in June 2020
 - Regular wage costs increasing by \$2.2M (3.0%)
 - Management Employees
 - Merit pool assumed at 3.0%
 - Performance Improvement Program, 1.5% pool, at CEO's discretion
 - Bargaining units contractual rate obligations
 - Increases range from 2.5% - 3.0%
 - Overtime costs increasing by \$260K (3.9%)



Fiscal Year 2020 Operating Budget

Expense Assumptions - Personnel continued

- Fringe Expenses increasing by \$2.6M (4.7%)
 - Healthcare costs decreasing by \$204K (-1.4%)
 - Placeholder
 - Working with HR Department to come up with better estimates for Riverstone Capital plan:
 - Self funded costs for CY 2019
 - Replacement plan for CY 2020
 - Pension costs increasing by \$1.8M (7.7%)
 - Per actuary reports, gross plan costs increasing by \$1.7 (6.3%)
 - SDTC self funded plan - \$305K increase (2.0%)
 - CalPERS plans - \$1.3M increase in total (12.1%)
 - Employee pension contributions decreasing by \$33K
 - \$5.1M of gross pension costs in FY20
 - Employee Defined Contribution costs increasing by \$85K (11.3%)



Fiscal Year 2020 Operating Budget Expense Assumptions - Personnel continued

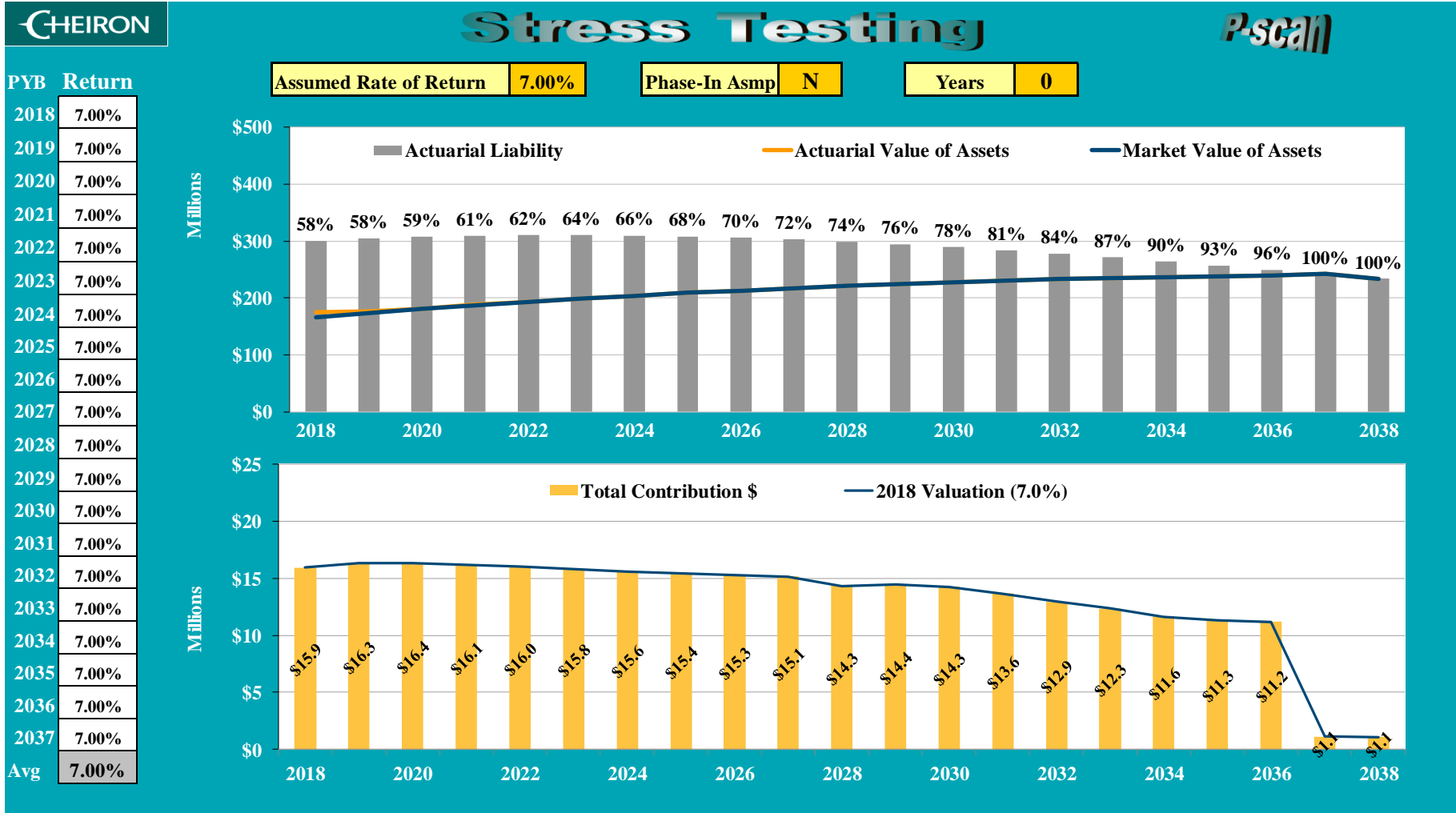
- Fringe Expenses (Continued)
 - SDTC Pension Plan Return Assumption
 - January 2019: Presented Actuarial Valuation from FY 2018
 - Market Return = 6.0%
 - Resulting in contribution increase year over year = \$515,000
 - » With offsetting actuarial variables, total contrib. increase = 1.95%

Total Contribution Reconciliation	
Fiscal Year 2018-2019	\$ 15,614,000
Actuarial investment experience	515,000
Fewer benefits earned by active membership due to closed plan	(255,000)
Demographic and salary experience	45,000
Fiscal Year 2019-2020	\$ 15,919,000
Percentage Increase	1.95%

- Generated discussion with regard to 7.0% assumed rate of return
- Projected 10-year return 5.7%; Projected 20-year return 6.9%



2018 Valuation Baseline 7.0%



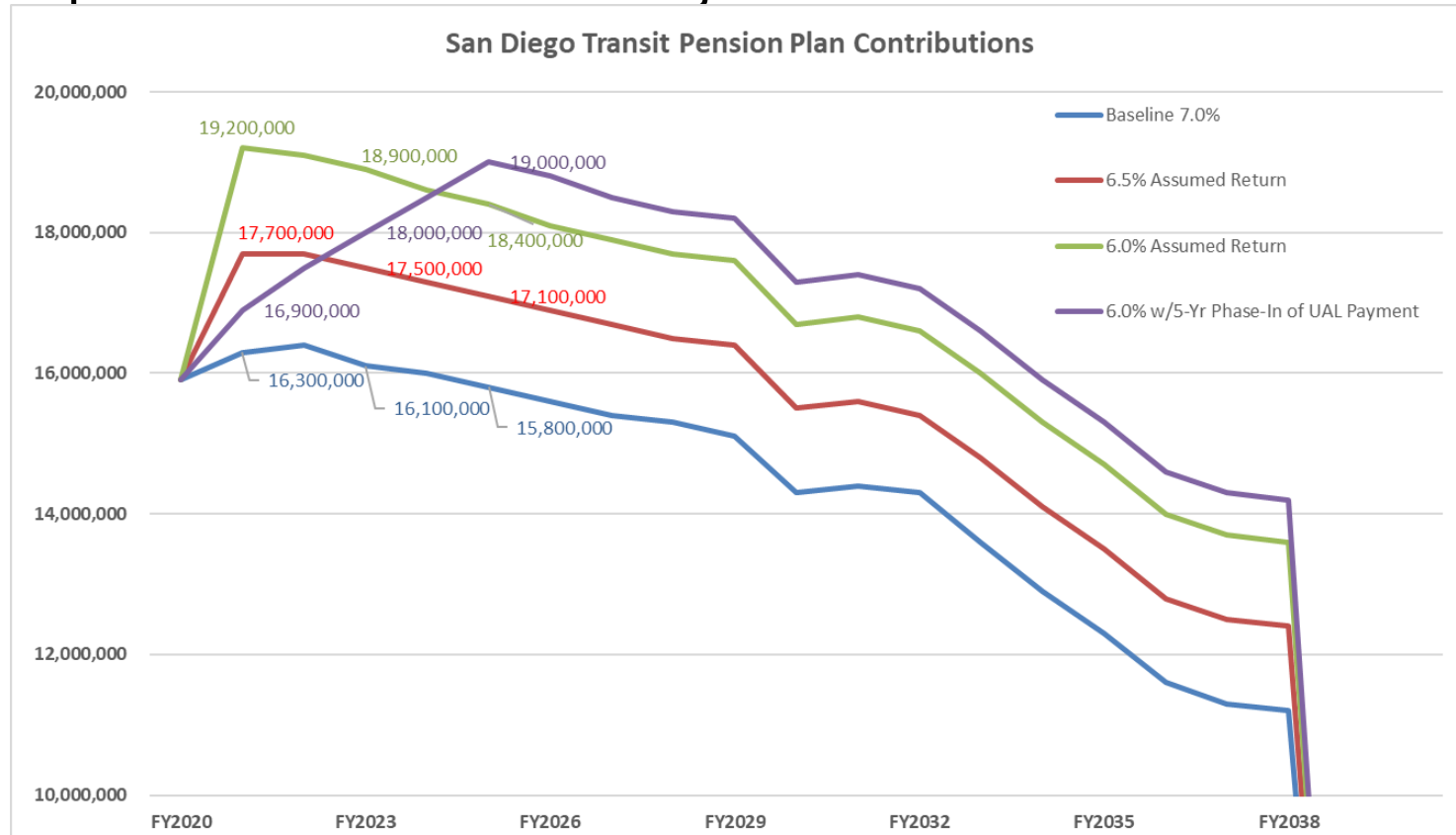
Fiscal Year 2020 Operating Budget Expense Assumptions - Personnel continued

- Fringe Expenses (Continued)
 - SDTC Pension Plan Return Assumption
 - Cheiron has provided four options:
 1. Continue with 7.0% Rate of Return
 2. Adjust rate lower to 6.5% Rate of Return
 - » Immediate impact to contributions (approximately \$1.4M year one)
 3. Adjust rate lower to 6.0% Rate of Return
 - » Immediate impact to contributions (approximately \$2.9M year one)
 4. Phase in adjustment of 6.0% Rate of Return
 - » Immediate shift to 6.0% return
 - » Phase in the impacts of Unfunded Actuarial Liability over 5 years
 - » Impact to contributions tiered over next 5 years
 - » Approximately \$1.0M year one
 - » Another \$500k years two through five
 - » Projected decreasing contributions beginning year six



Fiscal Year 2020 Operating Budget Expense Assumptions - Personnel continued

- Fringe Expenses (Continued)
 - Impacts of Rate of Return Adjustments



Fiscal Year 2020 Operating Budget

Expense Assumptions - Personnel continued

- Fringe Expenses (Continued)
 - Options Discussion - BDC Direction
 1. Continue with 7.0% Rate of Return
 2. Adjust rate lower to 6.5% Rate of Return
 - Immediate impact to contributions (approximately \$1.4M year one)
 3. Adjust rate lower to 6.0% Rate of Return
 - Immediate impact to contributions (approximately \$2.9M year one)
 4. Phase in adjustment of 6.0% Rate of Return
 - Immediate shift to 6.0% return
 - Phase in the impacts of Unfunded Actuarial Liability over 5 years
 - Impact to contributions tiered over next 5 years
 - » Approximately \$1.0M year one
 - » Another \$500k years two through five
 - » Projected decreasing contributions beginning year six



Fiscal Year 2020 Operating Budget

Expense Assumptions - Purchased Transportation

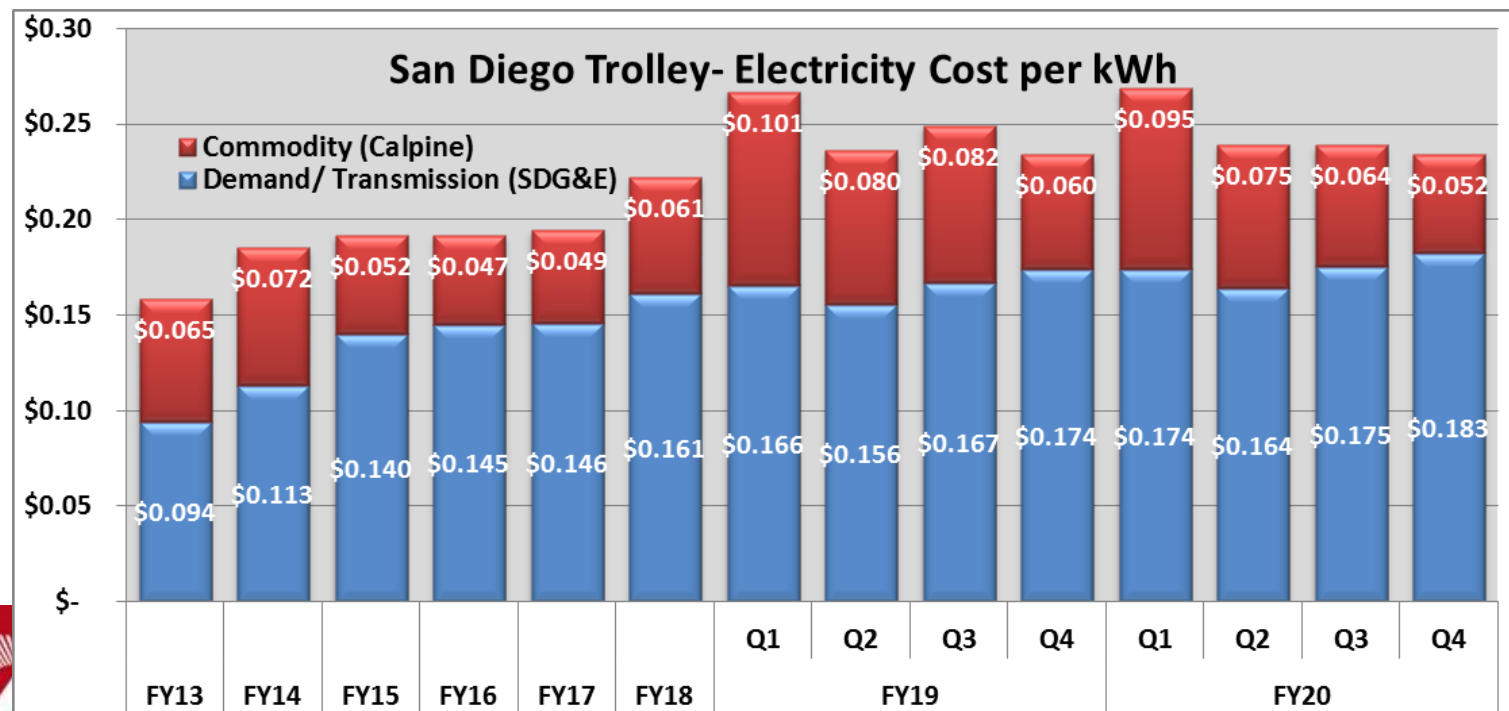
- Purchased Transportation increasing by \$4.6M
 - Fixed Route Contract - Transdev
 - Operates the South Bay and East County Divisions
 - \$941K increase due to contractual rate increase of 1.7%
 - \$2.8M increase due to additional service
 - Contract expires in June 2021
 - ADA Paratransit Contract - First Transit
 - Operates out of the Copley Park Division
 - \$469K increase due to contractual rate increase of 4.0%
 - Contract expires in June 2020
 - Minibus Contract - First Transit
 - Operates out of the Copley Park Division
 - \$130K increase due to contractual rate increase of 3.1%
 - \$32K increase due to additional service
 - Contract expires in June 2020



Fiscal Year 2020 Operating Budget

Expense Assumptions - Energy

- Electricity Costs - Increasing by \$12K
 - Traction power and facility electric
 - Three components
 - Transmission/demand - SDG&E rates increasing by 5.2%
 - Electricity commodity - Market index rates decreasing by 12%
 - Electricity Usage (Kilowatt hours or kWh) similar to FY19



Fiscal Year 2020 Operating Budget

Expense Assumptions - Energy

- Compressed Natural Gas - Increasing by \$364K
 - Increased volumes by 2.8% due to added service
 - Overall rate increasing by 1.7%
 - Commodity prices projected lower than FY19 based on DOE figures
 - SDG&E transportation costs are projected to increase 18%
- Gas/Diesel/Propane - Decreasing by \$62k in total
 - Crude oil prices decreasing by 2.7%
 - 24 Diesel buses left in the system (Commuter over the road coaches)
 - Continuing shift from Gasoline to Propane
 - 138 propane buses now and no increase in propane vehicles in FY20



Fiscal Year 2020 Operating Budget Expense Projection (\$000s)

	FY 2019 Midyear	FY 2020 Proposed	Var.	Var. %
Personnel Expenses	\$ 135,602	\$ 140,693	\$ 5,092	3.8%
Purchased Transportation	76,656	81,216	4,560	5.9%
Outside Services	26,273	27,723	1,450	5.5%
Materials and Supplies	12,796	12,859	62	0.5%
Energy	29,719	30,015	296	1.0%
Risk Management	3,722	4,773	1,050	28.2%
Other	7,179	7,515	336	4.7%
Total Expenses	\$ 291,948	\$ 304,794	\$ 12,846	4.4%

- Year over year increase figures are slightly misleading:
 - \$3.9M in expenses related to additional service
 - Adjusting for service levels, expenses are growing by \$8.8M (3.0%)



Fiscal Year 2020 Operating Budget

Consolidated Revenues less Expenses (\$000s)

	FY 2019 Midyear	FY 2020 Proposed	Var.	Var. %
Operating Revenues	\$ 111,715	\$ 115,426	\$ 3,711	3.3%
Subsidy Revenues	178,803	187,817	9,015	5.0%
Total Revenues	\$ 290,518	\$ 303,244	\$12,726	4.4%
Total Expenses	291,948	304,794	12,846	4.4%
Net Operating Deficit	\$ (1,430)	\$ (1,550)	\$ (120)	-8.4%
Reserve Revenues	1,430	1,254	(176)	-12.3%
Revenues Less Expenses	\$ (0)	\$ (296)	\$ (296)	-

- Continue to refine the revenue and expense budgets
- Will bring balanced budget to our next BDC meeting in April





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(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 5

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

March 28, 2019

SUBJECT:

REVISIONS TO BOARD POLICY NO. 36, "MTS RESERVE FUNDS POLICY" (MIKE THOMPSON)

RECOMMENDATION:

That the Budget Development Committee (BDC) recommend that the Board of Directors approve and adopt the updated Board Policy No. 36, "MTS Reserve Funds" (Attachment A).

Budget Impact

None. Action would modify the reserve policy.

DISCUSSION:

MTS maintains a number of reserve accounts that are designated for various purposes including serving as MTS contingency reserves and other MTS Board approved reserves. These fund balances are presented annually to the MTS Board as part of the fiscal year-end financial analysis, and also discussed during the annual budgetary process.

The policy designates a minimum percentage of approximately 12.5 percent of the total combined MTS operating budgeted expenses should be maintained in a contingency reserve. The MTS operating budget includes a number of fully subsidized services, such as the TransNet funded Superloop and Bus Rapid Transit (BRT) routes. In these situations, the net operating subsidy, calculated as the operating expenses less attributable fare revenues, is covered by a third party. Since these services are already fully subsidized, staff recommends excluding these operating expenses from the MTS contingency reserve calculation.



Staff is proposing to exclude fully subsidized services such as these from the contingency reserve calculation. The current policy is included as Attachment A, with the proposed change tracked in redlined form.

/s/ Paul C. Jablonski
Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Mike Thompson, 619.557.4557, mike.thompson@sdmts.com

Attachments: A. Proposed Reserve Policy No. 36 (redlined)

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Policies and Procedures

No. 36

SUBJECT:

Board Approval: 4/18/13

MTS RESERVE FUNDS

PURPOSE:

This policy and procedure is established to standardize and to create requirements for the establishment, management, utilization, and minimum funding requirements (where applicable) of all MTS reserve funds.

BACKGROUND:

MTS maintains a number of reserve accounts that are designated for various purposes including serving as MTS contingency reserves and other MTS Board-approved reserves. These funds will be incorporated in an annual report to the MTS Board as part of the fiscal year-end financial analysis and will be the basis of discussions as part of the annual budgetary process. This policy will standardize the policy and procedures of all MTS reserves.

POLICY:

36.1 Establishment of Reserves

Reserve accounts shall be established upon the adoption of a resolution that must specify:

- a. Purpose of the reserve and eligible use(s).
- b. Establishment of eligible uses of funding.
- c. Source/type of the funding.
- d. Minimum funding level, if applicable.

The form of this resolution is shown in Exhibit 36.1.

36.2 Management of Reserves

Unless otherwise stated, all reserves shall be invested and interest earnings allocated proportionately. As part of the fiscal year-end financial analysis, staff will prepare a report to the MTS Board of Directors that



shall include all MTS reserves. This information will also be included within the following fiscal year's annual budgetary book. All reporting of reserve accounts will satisfy the objective of being self-explanatory and easy to understand.

36.3 Utilization of Reserves

Reserves may be utilized and/or expended provided that staff verifies that funds are available and upon specific approval by the Board either with the adoption of the annual MTS budget or as needed.

36.4 Minimum Percentage Funding Requirements (where applicable)

A minimum percentage of approximately 12.5 percent of the total combined MTS operating budgeted expenses, excluding operating expenses associated with services fully subsidized by a third party (for example, routes that are funded by SANDAG/TransNet), should be maintained in a contingency reserve. Excess funds beyond this minimum level in unrestricted, contingency reserves will be available for the Board's purposes, to be determined by the Board of Directors as part of the annual budget development process or at any time of the year if unforeseen/special occurrences justify action. Periodically, due to the timing of subsidy fund receipts, contingency reserves act as working capital advances in anticipation of the receipt of these subsidy funds. Such advances are to be immediately repaid upon receipt of the subsidy funds.

As of fiscal year 2013, the contingency reserve rate is lower than the minimum requirement as per this policy. Beginning in fiscal year 2014, over the course of the next two fiscal years, this funding rate will increase to the 12.5 percent rate.

The Chief Financial Officer's designated representative shall provide a fiscal year-end financial report providing updated balances on all MTS reserve accounts, including a roll-forward analysis of the MTS contingency reserve account. Any potential significant changes to the reserve's balance shall be reported to the Board at the time it becomes known to the Chief Financial Officer and/or the representative.

Action to decrease this minimum contingency reserve level shall require two-thirds vote of the MTS Board of Directors.

POLICY.36.RESERVE FUNDS
4/18/13

Exhibit: Reserve Account Request Resolution

Original Policy adopted on 2/9/89.
Policy revised on 1/13/94.
Policy revised on 6/28/01.
Policy revised on 4/29/04.
Policy revised on 4/18/13.

EXHIBIT 36.1

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Resolution No. _____

Resolution Establishing a Reserve Account(s)

WHEREAS, the San Diego Metropolitan Transit System (MTS) has determined that certain funds are to be reserved for specific purposes; and

WHEREAS, said reserve account(s) shall be established and maintained in accordance with MTS Policy No. 36 – Reserve Funds; NOW, THEREFORE, BE IT RESOLVED, that the MTS Board of Directors approves the establishment of the reserve account(s).

Exhibit 1 - Policy 36
04/18/2013

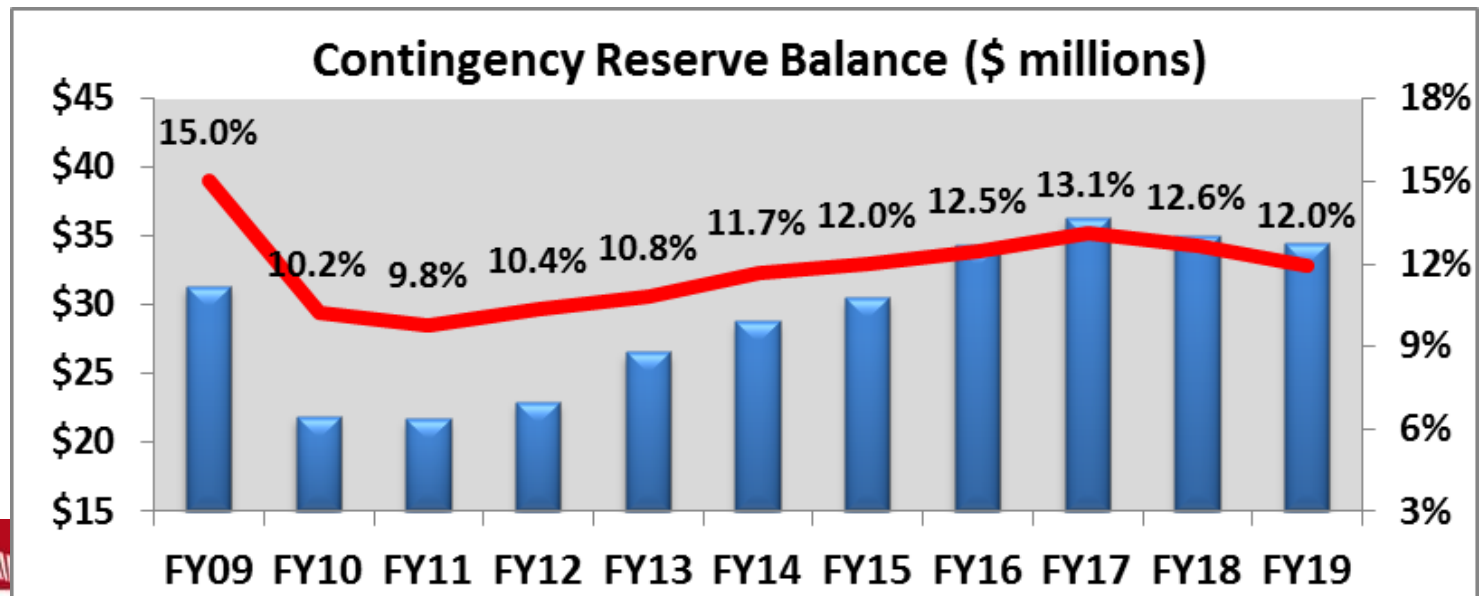
Metropolitan Transit System Reserve Policy

MTS Board of Directors
Budget Development Committee
March 28, 2019



Reserve Policy Review

- Board policy for the contingency reserve balance
 - Target set at 12.5% of the Operating Expense Budget
 - FY19 Amended Budget Target of \$36.1M
- Current Reserve Balance
 - June 30, 2018 balance of \$35.1M
 - FY19 Amended Budget assumes usage of \$600K (Ballot Measure)
 - Projected balance of \$34.5M (12.0%)



Reserve Policy Review

- Reserve target includes funding for fully subsidized services
 - For example, the following TransNet services:
 - Superloop
 - Bus Rapid Transit (I-15, Mid-City, South Bay)
 - Mid-Coast Trolley extension in FY22
 - Operating Expenses (\$ millions) for these TransNet services:

	FY19 Amended	FY20 Projected	With Mid-Coast
Operating Expenses	\$ 24.5	\$ 27.9	\$ 42.4
Associated Reserve	\$ 3.1	\$ 3.5	\$ 5.3

- Staff recommends removing these fully subsidized services from the MTS Contingency Reserve calculation
 - FY20 12.5% Reserve target would drop from \$37.7M to \$34.2M
 - Current Reserve level at \$34.5M



Reserve Policy Review

Staff Recommendation

That the Budget Development Committee recommend that the Board of Directors approve and adopt the updated Board Policy No. 36, “MTS Reserve Funds” (Attachment A).

