

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

04/03/2020

MINUTES

1. ROLL CALL

Chair Salas called the Budget Development Committee (BDC) meeting to order at 1:00pm A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Vice Chair Sandke moved to approve the minutes of the February 28, 2020 San Diego Metropolitan Transit System (MTS) BDC meeting. Ms. Moreno seconded the motion, and the vote was 4 to 0 in favor.

3. PUBLIC COMMENTS

There were no public comments.

4. COVID-19 Update (Mike Thompson)

Sharon Cooney, Deputy Chief Executive Officer, gave a brief overview on the impacts COVID-19 has had on MTS. Mrs. Cooney explained the Fiscal Year (FY) 21 budget will be a place holder and an amended budget will be presented at a later time in FY21. Mrs. Cooney explained that more than \$200 million of funding that was granted to MTS from the Coronavirus Aid, Relief and Economic Security Act (CARES), and she explained the grant could only be used for COVID related items, including employee salary and loss sales revenue.

Mike Thompson, Director of Financial Planning and Analysis, gave an overview of the COVID-19 Impact in FY20. Mr. Thompson mentioned that with just a couple of weeks into COVID-19, the impact in ridership has dropped, with Bus dropping 70% from baseline and Rail dropping 60%. He also shared the impact COVID-19 could have in the next 12 weeks, such as bus boarding through rear doors, which will reduce cash collections and could have a lost fare revenue impact of \$15-17M. Other impacts include sales tax revenue, State Transit Assistance (STA) revenue funded by diesel, advertising, rental income, interest revenue, energy credit revenue, which could result in a total loss of \$9-12M in FY20. Mr. Thompson went over the operating budget, mentioned the impact on service level adjustments and the resulting employment impact.

Mr. Thompson mentioned the CARES Act will cover any COVID-19 expenses after 01/20/2020, those expenses include lost revenues, paying employees/contract employees that are furloughed, increased costs of sick leave, additional cleaning, among other COVID expenses.

Mr. Thompson summarized by stating the net loss is expected to be between \$23-28M for the remainder of FY20.

Action Taken

No action was taken. Informational item only.

5. Proposed Fiscal Year 2021 Operating Budget (Mike Thompson)

Mr. Thompson presented a PowerPoint showing Revenue Assumptions and Expense Assumptions for FY21 budget with pre-Covid-19 assumptions

Mr. Thompson discussed pre-COVID-19 revenue assumptions involving passenger levels. FY21 ridership is projected at a 2% growth partially due to the added services on the Blue Line and Bus, and the average fare is projected to increase by 2.7% to \$1.09. For sales tax related revenues, MTS received \$104M from Transportation Development Act (TDA) funding which provides funding for operations and matching funds in the capital program. The operating budget would utilize \$78M and \$26M in Capital Improvement Program (CIP). He also detailed the assumptions for other subsidy revenues sources in the operating budget, including STA, federal revenues, TransNet and Medi-Cal. Mr. Thompson summarized the FY21 revenue assumptions by stating the total operating revenue is projected to increase by \$2.2M. Subsidy revenue is estimated to grow by \$16M, of which most of this growth would come from TDA. Total revenue is forecasted to increase to \$327.6M, an increase of 5.6%.

Mr. Thompson reviewed the FY21 pre-COVID-19 expense assumptions. He stated wage expenses are projected to increase by \$5.4M. Part of the increase is due to additional staffing due to projected increases in service levels. Fringe benefit costs are projected to increase by \$3.1M with pension and healthcare being the major components to the increase. Purchased transportation is estimated to increase by \$5M, and include expenses for Fixed Route, ADA Paratransit and Minibus services. Other outside services costs are projected to decrease by \$0.4K, due to decreases in mainly repair & maintenance costs and reduced costs for the ballot measure project. Mr. Thompson stated that Risk Management costs were expected to increase by \$967K, due to insurance rates going up. Other expenses are forecasted to increase by \$507K. In total, expenses are projected to increase by \$17.2M, or an increase of 5.6%. Projected revenues matched projected expenses resulting in a proposed balanced budget.

Action Taken

Vice Chair Sandke moved to forward a recommendation to the MTS Board of Directors to:

1. Recommend staff hold a public hearing on May 14, 2020 with the purpose of reviewing and approving the proposed combined MTS FY 21 operating budget.
2. Recommend staff that at the April 2020 MTS Board Meeting, more projections of the Federal CARES Act money be shared with the Board and a strategy that will outline the fiscal realities of expenses, revenue and reimbursement funds be initially developed.

Ms. Moreno seconded the motion, and the vote was 5 to 0 in favor.

6. Next Meeting Date:

To Be Determined

7. Adjournment

Chair Salas adjourned the meeting at 2:06pm

/s/ Mary Salas
Chair of the Budget Development Committee

/s/ Lucia Mansour
Clerk of the Budget Development Committee

Attachment: Roll Call Sheet

BUDGET DEVELOPMENT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) 04/03/2020

CALL TO ORDER (TIME) 1:00PM

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 2:06PM

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ARAMBULA <input checked="" type="checkbox"/>	1:00	2:06
FAULCONER <input type="checkbox"/> MORENO <input checked="" type="checkbox"/>	1:00	2:06
FLETCHER <input checked="" type="checkbox"/>	1:00	2:06
SALAS <input checked="" type="checkbox"/>	1:00	2:06
SANDKE <input checked="" type="checkbox"/>	1:00	2:06

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE:



CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

