



1255 Imperial Avenue, Suite 1000
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(619) 231-1466 • FAX (619) 234-3407

Agenda

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

April 3, 2020

1:00 p.m.

*Meeting will be held via webinar/
teleconference*

To request an agenda in an alternative format or to request accommodations to facilitate meeting participation, please call the Clerk of the Budget Development Committee at least two working days prior to the meeting. Meeting webinar/teleconference instructions can be accessed at the following link:
<https://www.sdmts.com/about-mts-meetings-and-agendas/other-committee>

ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes – February 28, 2020 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.

COMMITTEE DISCUSSION ITEMS

4. COVID-19 Update (Mike Thompson) Receive
Action would receive a report regarding the financial impact of COVID-19.
5. Proposed Fiscal Year 2021 Operating Budget (Mike Thompson) Approve
Action would forward a recommendation to the Board of Directors to recommend staff hold a public hearing on May 14, 2020 with the purpose of reviewing and approving the proposed combined MTS fiscal year 2021 Operating Budget.
8. Next Meeting Date: To be determined.
9. Adjournment

Please SILENCE electronics
during the meeting



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

02/28/2020

MINUTES

1. ROLL CALL

Ms. Salas called the Budget Development Committee (BDC) meeting to order at 1:10pm
A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Arambula moved to approve the minutes of the March 28, 2019 San Diego
Metropolitan Transit System (MTS) BDC meeting. Mr. Sandke seconded the motion, and
the vote was 4 to 0 in favor, with Ms. Moreno absent.

3. PUBLIC COMMENTS

Nate Fairman – Business Manager of International Brotherhood of Electrical Workers
(IBEW) Local 465 presented his public comments. Mr. Fairman expressed his concerns
in regards to the electric bus hazard, and the safety of employees while working on the
electric buses. His request was a 1% mechanic equity wage increase for the safety
exposure while working on the electric buses.

4. Appointment of Committee Chairperson and Vice Chair Person (Mike Thompson)

Mr. Fletcher moved to nominate Mayor Salas as Committee Chairperson and Mr.
Arambula seconded the motion.

Mr. Fletcher moved to Nominate Mr. Sandke as Vice Chairperson and Mr. Arambula
seconded the motion.

Action Taken

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

The Vote for Mr. Sandke as Vice Chairperson was 3-0 in favor, with Mr. Sandke
abstaining and Ms. Moreno absent.

5. Fiscal Year 2020 Operating Budget Midyear Amendment (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis gave an overview of the
Fiscal Year (FY) 2020 Operating Budget Midyear Amendment.

Mr. Thompson presented a PowerPoint showing Planned Service Improvements, Revenue Assumptions, and Expense Assumptions.

Planned Service Improvements include a pilot launched in January for increased rail service along the Blue Line, as well as a proposed bus service increases that will be targeting the September service change. Mr. Thompson informed that the San Diego Association of Governments (SANDAG) has a \$72M commitment for funding of the SD100 Light Rail Vehicle (LRV) replacement project, which will free up some money from the capital program to fund these service improvements for five years. Subsidy revenue is increasing by \$3.7M in total with the midyear amendment, with the increase coming from various sources, including a TDA transfer from the Capital Improvement Program (CIP) for Blue Line rail service, TransNet and Medi-Cal. The reserve revenue budget is increasing by \$474K, with most of the increase due to additional expenses for the Ballot Measure project which is being funded by the contingency reserve.

Mr. Thompson discussed revenue assumptions involving passenger levels. FY20 ridership is projected at 87.2 million passengers, which is a 2.2% increase over FY19. Revenue was \$18K unfavorable to budget through December 2019, and is projected to be unfavorable to budget by \$767K. Other operating revenue, including energy credit revenues, is expected to increase by \$1.9 million, primary due to the state Low Carbon Fuel Standard (LCFS) credits. Mr. Thompson gave an overview of advertising revenues which are projected to increase by \$450K, primarily due to bus shelter revenue increasing by \$245K and vehicle and master concessionaire advertising revenue increasing \$205K.

Mr. Thompson reviewed the FY20 midyear expenses assumption summary. He stated that personnel costs are increasing by \$292K and gave a summary of the position changes. Wage expenses are projected to increase by \$965K due to Trolley Operator wages for the Blue Line service increase, supervisor wage increases for Bus Operations, and Administration wage adjustments. Fringe benefit costs are decreasing by \$673K. Outside services costs are projected to increase by \$2.6M, due to increases in security costs, repairs and maintenance costs, Ballot Measure expenses, and purchased transportation. Materials and supplies are unfavorable by \$845K primarily due to Bus Operations increasing by \$670K and Rail Operations increasing by \$169K.

Action Taken

Ms. Moreno moved to forward a recommendation to the MTS Board of Directors to enact Resolution No. 20-6 amending the FY20 operating budget. Mr. Sandke seconded the motion, and the vote was 5 to 0 in favor.

6. Fiscal Year 2021 Operating Budget Discussion (Mike Thompson)

Mr. Thompson presented high-level projections and assumptions of the FY21 Operating Budget. Preliminary projections have Passenger Revenues increasing by \$2.4M, with no other major changes within Operating Revenues. Subsidy Revenue projections will continue to include \$11.3M of STA from Capital in the Operating Budget, and SANDAG

is projecting continuing growth in sales tax receipts resulting in increased Transportation Development Act (TDA) and TransNet revenues.

The Blue Line service increase is projected to increase Rail Operations costs by \$5.7M in FY21. Staff is also currently planning to increase Bus service by \$6.0M, with a plan to increase span and frequency on existing routes. ADA Paratransit demand is currently projected to decrease by 4.0%.

On the expense side, Personnel cost increases will consist of Management merit increases at 3.0%, collectively bargained increases, healthcare costs projected to increase by 5%, San Diego Transit self-funded pension plan increasing by \$847K, and CalPERS pension costs increasing in total by \$991K. The contracted rates for Purchased Transportation are known at this point, with the Fixed Route Transdev rate increasing by 2.6%, ADA – First Transit rate increasing by 5.7% and Minibus – First Transit rate increasing by 3.7%. In summary, the preliminary projection reflects a \$2.1M deficit that will need to be bridged during budget development.

Mr. Thompson then presented a recessionary model. Based on the actual results of previous recessions, the average cost of a recession could be \$17M annually. He then presented the responses management has used in the past when faced with significant revenue shortfalls.

Action Taken

No action was taken. Informational item only.

7. Fiscal Year 2021 Capital Improvement Program (Mike Thompson)

Mr. Thompson gave an overview with a PowerPoint presentation to discuss the FY21 Capital Improvement Program (CIP). He started with a historical trend of funding for the CIP and the projected funding need over the next 20 years. Federal Revenue is anticipated to decrease by \$6.8M in FY21 for a total of \$78.8M, with \$16.2M for CIP and \$62.6M for Preventive Maintenance. TDA revenue is projected at \$26.5M for CIP. Recurring Revenue from the Cap and Trade Low Carbon Transit Operations Program (LCTOP) for FY20 is \$225,000 in the current CIP, and staff will carry over \$6.0M to FY22 CIP for future Zero Emission Bus (ZEB) purchases. There are also non-recurring revenues in the CIP, including a Cap and Trade Transit and Intercity Rail Capital Program (TIRCP) award of \$40.1M, \$10.8M of which is included in the FY21 CIP, and Federal Regional Surface Transportation Program (RSTP) funding from SANDAG, which will be \$72.0M in total over FY21-FY25 and \$20.0M included in the FY21 CIP.

Mr. Thompson went over the FY21 projects that will be funded and explained priority 1 projects will be addressed first, which includes safety and operational needs projects. Mr. Thompson went over the Next Generation Fare System Upgrades that is scheduled to go live in the Spring of 2021. He discussed revenue vehicle replacement needs for both Bus and Rail. In total, 46 projects will be funded, totaling \$100.2M.

Action Taken

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

1. Approve the fiscal year 2021 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 Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels

Mr. Arambula seconded the motion, and the vote was 5 to 0 in favor.

Mr. Fletcher moved to forward a recommendation to the MTS Board of Directors to:

2. Recommend that the SANDAG Board of Directors approve the submittal of Federal Section 5307, 5337 and 5339 applications for the MTS fiscal year 2021 CIP
3. Recommend that the SANDAG Board of Directors approve amendment number 10 of the 2018 Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2021 CIP recommendations.

Mr. Sandke seconded the motion, and the vote was 5 to 0 in favor.

8. Next Meeting Date:

Friday April 3, 2020 at 1:00pm

9. Adjournment

Ms. Salas adjourned the meeting at 2:30pm

/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) 02/28/2020

CALL TO ORDER (TIME) 1:10PM

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 2:30PM

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ARAMBULA <input checked="" type="checkbox"/>	12:45	2:30
FAULCONER <input type="checkbox"/> MORENO <input checked="" type="checkbox"/>	1:30	2:30
FLETCHER <input checked="" type="checkbox"/>	1:00	2:30
SALAS <input checked="" type="checkbox"/>	1:00	2:30
SANDKE <input checked="" type="checkbox"/>	1:00	2:30

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE:



CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

N/A



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Agenda Item No. 4

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

April 3, 2020

SUBJECT:

COVID-19 UPDATE (MIKE THOMPSON)

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Budget Development Committee receive a report regarding the financial impact of COVID-19.

Budget Impact

None at this time.

DISCUSSION:

Staff will review the preliminary impact of the COVID-19 pandemic on MTS operations, including potential revenue losses, expense adjustments and stimulus funding. Staff will also seek guidance on the fiscal year 2021 budget cycle.

/s/ Paul C. Jablonski

Paul C. Jablonski
Chief Executive Officer

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



Metropolitan Transit System COVID-19 Impact

MTS Board of Directors
Budget Development Committee
April 3, 2020



COVID-19 Impact

- Budget preparation
 - Difficult to predict:
 - How long will the impact last?
 - Will jobs rebound back to the same levels as before?
 - Will the economy stay in recession after the quarantines end?
 - Propose to keep Midyear Amendment as presented last meeting
 - Will present some high level assumptions for the next three months
 - Bridge the gaps with Stimulus funding and/or Contingency Reserves
 - Approve the FY21 Operating Budget with assumptions from before COVID-19
 - Reconvene the BDC in October:
 - COVID-19 impacts to ridership, revenues and expenses
 - High level reforecast FY21
 - Continue with normal midyear amendment process beginning in January
 - Similar to the process at the State level

COVID-19 Impact Operating Budget - Fare Revenue

- Ridership impact
 - Bus ridership levels dropping by 70% from baseline
 - Rail ridership levels dropping by 60%
 - ADA Paratransit ridership levels dropping by 90%
 - The numbers above include Youth and SDM ridership drops of 90%
- FY20 Impact: Example of a 12 week impact
 - Buses boarding through rear doors reducing cash collected
 - Drops in the last half of March, all of April and May
 - Rebound beginning in June
 - \$15-17M of lost fare revenues

COVID-19 Impact

Operating Budget - Other Revenues

- Other Revenue Impacts

- Sales Tax revenues

- Cash receipts lag by two months
 - First signs of impact will be in May (March results)
 - If 20% down, \$7M revenue loss of TDA and TransNet

- STA revenues funded by diesel sales

- Impacted by changes in volume and/or price
 - Will not know until August, in CIP and Operating budgets
 - Impact can be shared by CIP and Operations, \$29.6M in total budgeted for FY20

- Advertising revenues could drop due to reduced demand, \$2.8M budgeted

- Rental income abatements, \$1.9M budgeted

- Interest revenue decline with the drop in the Federal Reserve rate, \$1.3M budgeted

- Energy credit revenues will drop due to volatility in market prices, \$8.8M budgeted

- Total potential revenues losses of \$9-12M

Quarterly Impact (\$M)			
Drop of:	TDA	TransNet	Total
10%	\$ (2.6)	\$ (0.9)	\$ (3.5)
20%	(5.2)	(1.8)	(7.0)
30%	(7.8)	(2.7)	(10.5)

COVID-19 Impact

Operating Budget - Expense Adjustments

- Service level adjustments
 - Bus
 - Schedule 70% of normal service
 - Begins 4/12, assuming it lasts until Mid-June
 - Rail
 - Returning to 1/1/2020 service levels
 - Paratransit service levels will be driven by demand
- Other expenses increases
 - All MTS employees kept whole
 - Contracted Fixed Route employees kept whole
 - Increased Sick Leave costs
 - Safety and cleaning supplies and services
 - IT - Increased costs related to equipment and remote working capability

COVID-19 Impact Stimulus Funding

- Federal stimulus money
 - Coronavirus Aid, Relief, and Economic Security (CARES) Act included \$25B for Transit
 - Covers any COVID-19 expenses after January 20, 2020
 - No match required
 - Details still being finalized by FTA
 - Potentially funding for things like:
 - Lost revenues (fares, sales tax, etc.)
 - Paying employees/contract employees that are furloughed or hours cut
 - Paying for increased costs of sick leave
 - Additional cleaning and safety supplies and services
 - Remote working (new laptops, software licenses, etc.)
 - Costs associated with keeping operations levels stable
 - \$314M for the San Diego region based on existing 5307 formula
 - Apportioned by SANDAG at their Board meeting next Friday
 - \$220M for MTS
 - Will be applying for the grant as quickly as possible

COVID-19 Impact Operating Budget

- Net impact:
 - Lost revenues of \$23-28M for the remainder of the fiscal year
 - Increases to expenses of \$3-4M
- Stimulus reimbursement
 - Apply for federal grants
 - Calculate impacts
 - Draw appropriate funding to offset lost revenues/increased expenses



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Agenda Item No. 5

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

April 3, 2020

SUBJECT:

PROPOSED FISCAL YEAR 2021 OPERATING BUDGET (MIKE THOMPSON)

RECOMMENDATION:

That the Budget Development Committee (BDC) forward a recommendation to the MTS Board of Directors (Board) to recommend staff hold a public hearing on May 14, 2020 with the purpose of reviewing and approving the proposed combined MTS fiscal year (FY) 2021 Operating Budget.

Budget Impact

None at this time.

DISCUSSION:

Fiscal Year 2021 Budget Recap

The following is a recap of the FY21 budget process:

- MTS uses a zero-based budgeting process that begins in December each year. In MTS's process, every line item budget is reviewed and 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, the BDC and ultimately the MTS Board.
- In February, staff had its first meeting with the BDC. During this meeting, staff reviewed and recommended approval of the FY20 midyear operating budget amendment and the FY21 Capital Improvement Program (CIP). Board approval of these items has been postponed until the April meeting as a result of COVID-



19 social distancing efforts. During the February BDC meeting, staff also presented a preliminary forecast of the FY21 operating budget based on high-level expense and revenue assumptions. Staff has been working since the February meeting to further develop and refine these assumptions and to complete a first draft of the proposed FY21 operating budget.

- In this meeting, staff will review all of the expense and revenue assumptions made for the operating budget and present a proposed balanced draft budget for FY21.

Fiscal Year 2021 Operating Budget

The FY21 total budgeted revenue is projected at \$327.6 million, and total projected expenses are budgeted at \$327.6 million, resulting in a balanced budget for FY21. Attachments A-D detail the current draft of the proposed FY21 Operating Budget.

Fiscal Year 2021 Revenues

Attachment E summarizes the total operating and non-operating revenues in a schedule format. As indicated within the schedule, FY21 combined revenues total \$327.6 million, an increase from the FY20 amended budget of \$17.2 million (5.6%).

Operating revenue totals \$119.3 million, an increase from the FY20 amended budget of \$2.2 million (1.9%). Passenger revenues are increasing by \$2.4 million (2.5%) due to having a full year of increased fares and additional ridership growth from increased Blue Line trolley service and bus service planned for FY21. Other operating revenues are decreasing by \$180,000 (-0.9%).

Non-operating revenue totals \$208.4 million, an increase from the FY20 amended budget of \$15.0 million (7.8%). Non-operating revenue includes both subsidy revenue and other operating revenue as detailed in Attachment E.

Subsidy revenue totals \$207.5 million, an increase from the FY20 amended budget of \$15.8 million (8.3%). Federal Transit Administration (FTA) funding is structured on a reimbursement basis (after expenses are incurred), and funds both the CIP and operating budgets. MTS's share of federal revenue is expected to decrease by \$6.8 million from the FY20 amended budget to \$78.8 million in total. The overall amount in the operating budget will increase by \$931,000, primarily due to the addition of \$1.0 million in FTA preventive maintenance formula funds.

Regional sales tax receipts are projected to grow by 3.0% year over year for FY21. Projections for FY21 include a 3.0% increase in TDA and a 3.0% increase in TransNet resulting in additional formula TransNet and Transportation Development Act (TDA) revenues for MTS. TDA revenue in the FY21 operating budget will increase by \$13.5 million (20.8%), primarily due to the transfer of \$11.0 million in funds from the CIP for increased Blue Line trolley service and bus service.

TransNet formula revenue is projected to increase by \$1.1 million for FY21 (3.3%). MTS also receives TransNet as operating assistance for TransNet funding service, which includes Superloop, I-15 BRT, Mid-City Rapid, and South Bay BRT. TransNet operating assistance is projected to be \$13.0 million in FY21, an increase of \$836,000 from the FY20 amended budget, which is primarily due to increases in janitorial and landscaping contract costs for passenger facilities and increasing overall operating expenses for directly operated bus service. In total, TransNet revenues are projected to increase \$2.0 million (4.8%) from the FY20 amended budget.

In the FY20 fiscal year to date, MTS has received \$13.1 million of the projected \$28.9 million of State Transit Assistance (STA) funding. Staff projects MTS will receive \$29.5 million for FY21. This funding is primarily programmed in the CIP, but \$11.3 million will be utilized in the operating budget again this year to fund service increases, replace lost Medi-Cal revenue, and address the structural deficit. Specifically, the FY21 budget includes \$3.6 million for the FY13 Sunday Service restoration, \$2.0 million for the Transit Optimization Plan (TOP), \$3.2 million to replace lost Medi-Cal revenue, and \$2.5 million as a balancing mechanism to address the structural deficit.

Other state revenue is projected to be \$300,000 in FY21, a decrease of \$589,000 from the FY20 amended budget. The decrease is due to a reduction in Medi-Cal revenue from the FY20 amended budget. The FY20 amended budget included revenue from prior fiscal years which had been delayed while the State was revising claiming procedures as a result of a legislative change.

Other local funding is projected to be \$9.7 million, remaining at the same level as the FY20 amended budget.

Consolidated subsidy revenue totals \$207.5 million, an increase from the FY20 amended budget of \$15.8 million (8.3%).

Within other revenue, reserve revenue totals \$897,000, a decrease of \$814,000 from the FY20 amended budget of \$1.7 million. Taxicab Administration and San Diego & Arizona Eastern are self-funded activities. In total, they are projected to utilize \$270,000 of reserve revenue to balance their budgets, an increase of \$235,000 from the FY20 amended budget. The operating budget will also utilize \$626,000 of MTS contingency reserves to fund the sales tax ballot initiative, a decrease of \$1.0 million from the FY20 amended budget.

Fiscal Year 2021 Expenses

Attachment A contains the total revenues as detailed above and the total proposed expenses for FY21. FY21 combined expenses totaled \$327.6 million, an increase from the FY20 amended budget of \$17.2 million (5.6%). Proposed service levels are planned to increase by 87,468 revenue service hours (3.3%) primarily due to added Blue Line trolley service and bus service planned for FY21.

Within operating expenses, personnel expenses are projected to increase from the FY20 amended budget by \$8.4 million (6.0%). Salary Grade Ranges for FY21 are increasing 2.4% from the amended FY20 ranges based on increases in the Consumer Price Index for the San Diego Region. Pension and Health and Welfare costs are increasing 10.3% and 11.0%, respectively. Health and Welfare costs in the FY20 amended budget were artificially low due to a one-time settlement paid to MTS as a result of the Riverstone insurance bankruptcy case. Net of the one-time settlement payment, Health and Welfare costs are increasing 5.6% above the FY20 amended budget. All other personnel costs are increasing by 4.2%, primarily driven by increased service levels for both bus and rail.

Purchased transportation costs are projected to increase from the FY20 amended budget by \$5.0 million (6.3%). This is primarily due to a 2.3% increase in revenue hours planned for purchased transportation divisions as well as a 5.7% rate increase for Paratransit services and a 3.7% rate increase for Minibus services included in the newly awarded First Transit contract. The rate for Transdev fixed route services is increasing 2.5% year above the prior year.

Excluding purchased transportation, other outside service expenses are projected to decrease from the FY20 amended budget by \$390,000 (-1.2%). This is primarily due to

decreasing compass card software costs, ballot measure costs, and repair and maintenance costs. These decreases are partially offset by increases in Information Technology expenses, and the inclusion of \$564,000 of Closed-Circuit Television (CCTV) maintenance costs in the FY21 operating budget. CCTV maintenance costs were previously funded by the California Proposition 1B grant program and tracked in the CIP. The Proposition 1B grant program expired in FY20 and the operating portion of these expenses now need to be funded in the operating budget.

Materials and supplies costs are projected to decrease by \$584,000 (-4.3%), primarily due to a decrease in projected revenue vehicle parts expenses for directly operated bus operations.

Staff projects rates for CNG, gasoline, diesel, propane and electricity at \$0.995 per therm, \$3.05 per gallon, \$2.62 per gallon, \$1.55 per gallon and \$0.267 per kWh, respectively. These rate levels and the added service levels result in a projected increase in energy cost of \$3.3 million (10.5%) from the FY20 amended budget.

Risk management costs are increasing by \$967,000 (20.1%). The increase is primarily driven by an increase of \$702,000 (23.5%) for insurance premiums; specifically, increases in excess liability and property insurance rates as occurring state-wide.

Debt service costs are projected to decrease from the FY20 amended budget by \$134,000, primarily due decreasing costs for the Pension Obligation Bond funding the San Diego Transit Corporation (SDTC) pension plan.

In total, expenses are projected to increase by \$17.2 million or 5.6% versus the FY20 amended budget.

/s/ Paul C. Jablonski

Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. FY21 Operating Budget – Consolidated MTS
B. FY21 Operating Budget – Consolidated Operations
C. FY21 Operating Budget – Consolidated Administration
D. FY21 Operating Budget – Consolidated Other Activities
E. FY21 Operating Budget – Consolidated Revenue Summary
F. FY21 Operating Budget – Position Table Summary

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATING BUDGET SUMMARY
FISCAL YEAR 2021
SECTION 2.01

	ACTUAL FY19	AMENDED BUDGET FY20	PROPOSED BUDGET FY21	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
OPERATING REVENUE					
PASSENGER REVENUE	92,225,171	96,296,286	98,698,760	2,402,474	2.5%
OTHER OPERATING REVENUE	21,095,287	20,733,118	20,553,386	(179,732)	-0.9%
TOTAL OPERATING REVENUES	113,320,458	117,029,404	119,252,146	2,222,742	1.9%
NON OPERATING REVENUE					
TOTAL SUBSIDY REVENUE	179,574,556	191,627,907	207,460,074	15,832,167	8.3%
OTHER NON OPERATING REVENUE					
RESERVE REVENUE	1,217,669	1,710,552	896,507	(814,046)	-47.6%
OTHER INCOME	-	-	-	-	-
TOTAL OTHER NON OPERATING REVENUE	1,217,669	1,710,552	896,507	(814,046)	-47.6%
TOTAL NON OPERATING REVENUE	180,792,225	193,338,459	208,356,581	15,018,122	7.8%
TOTAL COMBINED REVENUES	294,112,683	310,367,863	327,608,727	17,240,864	5.6%
OPERATING EXPENSES					
LABOR EXPENSES	80,741,378	85,057,224	90,434,319	5,377,095	6.3%
FRINGE EXPENSES	54,090,497	56,256,559	59,306,790	3,050,231	5.4%
TOTAL PERSONNEL EXPENSES	134,831,874	141,313,783	149,741,109	8,427,326	6.0%
SECURITY EXPENSES	7,144,401	8,806,200	9,095,260	289,060	3.3%
REPAIR/MAINTENANCE SERVICES	5,232,381	5,909,399	5,668,055	(241,344)	-4.1%
ENGINE AND TRANSMISSION REBUILD	1,301,987	1,385,782	1,256,000	(129,782)	-9.4%
OTHER OUTSIDE SERVICES	13,015,796	15,242,430	14,934,197	(308,233)	-2.0%
PURCHASED TRANSPORTATION	76,167,320	80,186,010	85,223,098	5,037,087	6.3%
TOTAL OUTSIDE SERVICES	102,861,886	111,529,821	116,176,610	4,646,788	4.2%
LUBRICANTS	537,478	539,000	490,500	(48,500)	-9.0%
TIRES	1,176,572	1,276,500	1,300,500	24,000	1.9%
OTHER MATERIALS AND SUPPLIES	11,097,015	11,888,472	11,328,972	(559,500)	-4.7%
TOTAL MATERIALS AND SUPPLIES	12,811,065	13,703,972	13,119,972	(584,000)	-4.3%
GAS/DIESEL/PROPANE	3,585,729	3,341,655	3,217,394	(124,261)	-3.7%
CNG	9,549,477	10,359,000	11,707,795	1,348,795	13.0%
TRACTION POWER	12,392,850	13,028,000	15,019,200	1,991,200	15.3%
UTILITIES	4,369,647	4,571,988	4,632,733	60,745	1.3%
TOTAL ENERGY	29,897,703	31,300,643	34,577,122	3,276,479	10.5%
RISK MANAGEMENT	3,238,685	4,800,099	5,767,261	967,162	20.1%
GENERAL AND ADMINISTRATIVE	4,417,343	5,483,712	6,071,258	587,546	10.7%
DEBT SERVICE	1,480,911	985,064	850,778	(134,286)	-13.6%
VEHICLE / FACILITY LEASE	1,132,909	1,250,772	1,304,617	53,845	4.3%
TOTAL OPERATING EXPENSES	290,672,375	310,367,866	327,608,727	17,240,860	5.6%
NET OPERATING SUBSIDY	(177,351,917)	(193,338,462)	(208,356,581)	15,018,118	7.8%
OVERHEAD ALLOCATION	1	0	0	-	0.0%
ADJUSTED NET OPERATING SUBSIDY	(177,351,916)	(193,338,462)	(208,356,581)	15,018,118	7.8%
TOTAL REVENUES LESS TOTAL EXPENSES	3,440,309	(3)	0	(3)	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS BUDGET
FISCAL YEAR 2021
SECTION 2.02**

	ACTUAL FY19	AMENDED BUDGET FY20	PROPOSED BUDGET FY21	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
OPERATING REVENUE					
PASSENGER REVENUE	92,225,171	96,296,286	98,698,760	2,402,474	2.5%
OTHER OPERATING REVENUE	806,345	786,200	790,850	4,650	0.6%
TOTAL OPERATING REVENUES	93,031,516	97,082,486	99,489,610	2,407,124	2.5%
NON OPERATING REVENUE					
TOTAL SUBSIDY REVENUE	177,447,756	191,476,407	207,304,029	15,827,622	8.3%
OTHER NON OPERATING REVENUE					
RESERVE REVENUE	-	-	-	-	-
OTHER INCOME	-	-	-	-	-
TOTAL OTHER NON OPERATING REVENUE	-	-	-	-	-
TOTAL NON OPERATING REVENUE	177,447,756	191,476,407	207,304,029	15,827,622	8.3%
TOTAL COMBINED REVENUES	270,479,272	288,558,893	306,793,639	18,234,746	6.3%
OPERATING EXPENSES					
LABOR EXPENSES	65,353,967	68,900,541	73,653,387	4,752,846	6.9%
FRINGE EXPENSES	47,717,013	50,200,813	52,762,824	2,562,011	5.1%
TOTAL PERSONNEL EXPENSES	113,070,980	119,101,354	126,416,211	7,314,857	6.1%
SECURITY EXPENSES	720,519	1,070,000	1,176,050	106,050	9.9%
REPAIR/MAINTENANCE SERVICES	5,023,278	5,761,304	5,526,055	(235,249)	-4.1%
ENGINE AND TRANSMISSION REBUILD	1,301,987	1,385,782	1,256,000	(129,782)	-9.4%
OTHER OUTSIDE SERVICES	3,150,786	3,926,030	4,828,178	902,148	23.0%
PURCHASED TRANSPORTATION	76,167,320	80,186,010	85,223,098	5,037,087	6.3%
TOTAL OUTSIDE SERVICES	86,363,891	92,329,126	98,009,381	5,680,254	6.2%
LUBRICANTS	537,478	539,000	490,500	(48,500)	-9.0%
TIRES	1,176,572	1,276,500	1,300,500	24,000	1.9%
OTHER MATERIALS AND SUPPLIES	11,077,030	11,874,672	11,310,702	(563,970)	-4.7%
TOTAL MATERIALS AND SUPPLIES	12,791,079	13,690,172	13,101,702	(588,470)	-4.3%
GAS/DIESEL/PROPANE	3,445,473	3,199,155	3,074,644	(124,511)	-3.9%
CNG	9,549,477	10,359,000	11,707,795	1,348,795	13.0%
TRACTION POWER	12,392,850	13,028,000	15,019,200	1,991,200	15.3%
UTILITIES	3,669,351	3,816,791	3,869,022	52,231	1.4%
TOTAL ENERGY	29,057,151	30,402,946	33,670,661	3,267,715	10.7%
RISK MANAGEMENT	2,714,835	3,968,272	4,949,443	981,171	24.7%
GENERAL AND ADMINISTRATIVE	679,310	869,204	844,688	(24,516)	-2.8%
DEBT SERVICE	736,856	612,915	477,465	(135,450)	-22.1%
VEHICLE / FACILITY LEASE	945,602	1,054,772	1,088,467	33,695	3.2%
TOTAL OPERATING EXPENSES	246,359,703	262,028,761	278,558,018	16,529,256	6.3%
NET OPERATING SUBSIDY	(153,328,187)	(164,946,275)	(179,068,408)	14,122,132	8.6%
OVERHEAD ALLOCATION	(24,119,769)	(26,530,134)	(28,235,621)	(1,705,487)	6.4%
ADJUSTED NET OPERATING SUBSIDY	(177,447,955)	(191,476,409)	(207,304,029)	15,827,619	8.3%
TOTAL REVENUES LESS TOTAL EXPENSES	(199)	(2)	(0)	(2)	-100.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATIVE BUDGET
FISCAL YEAR 2021
SECTION 2.03**

	ACTUAL FY19	AMENDED BUDGET FY20	PROPOSED BUDGET FY21	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
OPERATING REVENUE					
PASSENGER REVENUE	-	-	-	-	-
OTHER OPERATING REVENUE	19,160,906	18,805,118	18,659,806	(145,312)	-0.8%
TOTAL OPERATING REVENUES	19,160,906	18,805,118	18,659,806	(145,312)	-0.8%
NON OPERATING REVENUE					
TOTAL SUBSIDY REVENUE	2,126,800	151,500	156,045	4,545	3.0%
OTHER NON OPERATING REVENUE					
RESERVE REVENUE	1,100,000	1,675,414	626,114	(1,049,300)	-62.6%
OTHER INCOME	-	-	-	-	-
TOTAL OTHER NON OPERATING REVENUE	1,100,000	1,675,414	626,114	(1,049,300)	-62.6%
TOTAL NON OPERATING REVENUE	3,226,800	1,826,914	782,159	(1,044,755)	-57.2%
TOTAL COMBINED REVENUES	22,387,706	20,632,032	19,441,965	(1,190,067)	-5.8%
OPERATING EXPENSES					
LABOR EXPENSES	14,824,453	15,660,498	16,286,359	625,861	4.0%
FRINGE EXPENSES	6,108,054	5,864,177	6,279,257	415,080	7.1%
TOTAL PERSONNEL EXPENSES	20,932,507	21,524,675	22,565,616	1,040,941	4.8%
SECURITY EXPENSES	6,423,882	7,736,200	7,919,210	183,010	2.4%
REPAIR/MAINTENANCE SERVICES	204,000	143,095	137,000	(6,095)	-4.3%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	9,744,956	11,133,100	9,862,719	(1,270,381)	-11.4%
PURCHASED TRANSPORTATION	-	-	-	-	-
TOTAL OUTSIDE SERVICES	16,372,838	19,012,395	17,918,929	(1,093,466)	-5.8%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	19,639	13,300	17,270	3,970	29.8%
TOTAL MATERIALS AND SUPPLIES	19,639	13,300	17,270	3,970	29.8%
GAS/DIESEL/PROPANE	134,699	136,500	136,750	250	0.2%
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	687,217	743,697	752,711	9,014	1.2%
TOTAL ENERGY	821,916	880,197	889,461	9,264	1.1%
RISK MANAGEMENT	458,240	754,026	685,582	(68,444)	-9.1%
GENERAL AND ADMINISTRATIVE	3,609,878	4,480,988	5,092,383	611,395	13.6%
DEBT SERVICE	744,055	372,149	373,313	1,164	0.3%
VEHICLE / FACILITY LEASE	164,171	170,000	190,400	20,400	12.0%
TOTAL OPERATING EXPENSES	43,123,243	47,207,730	47,732,954	525,224	1.1%
NET OPERATING SUBSIDY	(23,962,337)	(28,402,612)	(29,073,148)	670,536	2.4%
OVERHEAD ALLOCATION	24,176,045	26,575,698	28,290,989	1,715,291	6.5%
ADJUSTED NET OPERATING SUBSIDY	213,708	(1,826,914)	(782,159)	(1,044,755)	-57.2%
TOTAL REVENUES LESS TOTAL EXPENSES	3,440,508	-	-	-	-

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OTHER ACTIVITIES BUDGET
FISCAL YEAR 2021
SECTION 2.04**

	ACTUAL FY19	AMENDED BUDGET FY20	PROPOSED BUDGET FY21	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
OPERATING REVENUE					
PASSENGER REVENUE	-	-	-	-	-
OTHER OPERATING REVENUE	1,128,036	1,141,800	1,102,730	(39,070)	-3.4%
TOTAL OPERATING REVENUES	1,128,036	1,141,800	1,102,730	(39,070)	-3.4%
NON OPERATING REVENUE					
TOTAL SUBSIDY REVENUE	-	-	-	-	-
OTHER NON OPERATING REVENUE					
RESERVE REVENUE	117,669	35,138	270,393	235,254	669.5%
OTHER INCOME	-	-	-	-	-
TOTAL OTHER NON OPERATING REVENUE	117,669	35,138	270,393	235,254	669.5%
TOTAL NON OPERATING REVENUE	117,669	35,138	270,393	235,254	669.5%
TOTAL COMBINED REVENUES	1,245,705	1,176,938	1,373,123	196,184	16.7%
OPERATING EXPENSES					
LABOR EXPENSES	562,957	496,185	494,573	(1,612)	-0.3%
FRINGE EXPENSES	265,430	191,569	264,709	73,140	38.2%
TOTAL PERSONNEL EXPENSES	828,388	687,754	759,282	71,528	10.4%
SECURITY EXPENSES	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	5,104	5,000	5,000	-	0.0%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-
OTHER OUTSIDE SERVICES	120,054	183,300	243,300	60,000	32.7%
PURCHASED TRANSPORTATION	-	-	-	-	-
TOTAL OUTSIDE SERVICES	125,158	188,300	248,300	60,000	31.9%
LUBRICANTS	-	-	-	-	-
TIRES	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	347	500	1,000	500	100.0%
TOTAL MATERIALS AND SUPPLIES	347	500	1,000	500	100.0%
GAS/DIESEL/PROPANE	5,557	6,000	6,000	-	0.0%
CNG	-	-	-	-	-
TRACTION POWER	-	-	-	-	-
UTILITIES	13,080	11,500	11,000	(500)	-4.3%
TOTAL ENERGY	18,637	17,500	17,000	(500)	-2.9%
RISK MANAGEMENT	65,610	77,801	132,236	54,435	70.0%
GENERAL AND ADMINISTRATIVE	128,156	133,520	134,187	667	0.5%
DEBT SERVICE	-	-	-	-	-
VEHICLE / FACILITY LEASE	23,135	26,000	25,750	(250)	-1.0%
TOTAL OPERATING EXPENSES	1,189,429	1,131,375	1,317,755	186,380	16.5%
NET OPERATING SUBSIDY	(61,393)	10,425	(215,025)	225,450	-2162.6%
OVERHEAD ALLOCATION	(56,276)	(45,564)	(55,368)		21.5%
ADJUSTED NET OPERATING SUBSIDY	(117,669)	(35,139)	(270,393)	235,254	669.5%
TOTAL REVENUES LESS TOTAL EXPENSES	0	(0)	-	(0)	0.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
REVENUE BUDGET SUMMARY
FISCAL YEAR 2021
SECTION 3.02**

	ACTUAL FY19	AMENDED BUDGET FY20	PROPOSED BUDGET FY21	\$ CHANGE AMENDED/ ORIGINAL	% CHANGE AMENDED/ ORIGINAL
OPERATING REVENUE					
PASSENGER REVENUE	92,225,171	96,296,286	98,698,760	2,402,474	2.5%
OTHER INCOME	21,095,287	20,733,118	20,553,386	(179,732)	-0.9%
TOTAL OPERATING REVENUE	113,320,458	117,029,404	119,252,146	2,222,742	1.9%
NON OPERATING REVENUE					
SUBSIDY REVENUE					
FEDERAL REVENUE	60,985,205	63,250,833	64,182,134	931,301	1.5%
TRANSPORTATION DEVELOPMENT ACT (TDA)	63,040,809	64,805,008	78,308,244	13,503,236	20.8%
STATE TRANSIT ASSISTANCE (STA)	8,866,113	11,300,000	11,300,000	0	0.0%
STATE REVENUE - OTHER	73,473	889,304	300,000	(589,304)	-66.3%
TRANSNET	45,550,475	41,686,944	43,673,879	1,986,935	4.8%
OTHER LOCAL SUBSIDIES	1,058,481	9,695,817	9,695,817	0	0.0%
TOTAL SUBSIDY REVENUE	179,574,556	191,627,906	207,460,074	15,832,168	8.3%
OTHER REVENUE					
OTHER FUNDS	-	-	-	0	-
RESERVES REVENUE	1,217,669	1,710,552	896,507	(814,046)	-47.6%
TOTAL OTHER REVENUE	1,217,669	1,710,552	896,507	(814,046)	-47.6%
TOTAL NON OPERATING REVENUE	180,792,225	193,338,458	208,356,581	15,018,123	7.8%
GRAND TOTAL REVENUES	294,112,683	310,367,862	327,608,727	17,240,865	5.6%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
POSITION INFORMATION (SUMMARY FORMAT)**

Att. F., AI 05, 04/03/2020

FISCAL YEAR 2021 AMENDED BUDGET

SECTION 10.03

	Net Positons				
	Amended Budget	Position	Requiring	Proposed	Frozen
	FY 2020	Shifts	Funding Adjs	FY 2021	Positions
	FTE's	FTE's	FTE's	FTE's	FTE's
<u>MTS Administration</u>					
BOD ADMINISTRATION	3.0	-1.0	0.0	2.0	0.0
CAPITAL PROJECTS	6.5	1.0	0.0	7.5	0.0
COMPASS CARD	11.5	0.0	0.0	11.5	0.0
EXECUTIVE	3.0	0.0	0.0	3.0	0.0
FINANCE	22.0	0.0	0.0	22.0	0.0
HUMAN RESOURCES	17.0	0.0	0.0	17.0	0.0
INFORMATION TECHNOLOGY	29.0	0.0	0.0	29.0	0.0
LEGAL	2.0	0.0	0.0	2.0	0.0
MARKETING	10.0	0.0	0.0	10.0	0.0
PLANNING	8.5	0.0	0.0	8.5	0.0
PROCUREMENT	13.0	0.0	0.0	13.0	0.0
RIGHT OF WAY	2.0	0.0	0.0	2.0	0.0
RISK	4.0	0.0	0.0	4.0	0.0
SECURITY	74.0	0.0	0.0	74.0	0.0
STORES (ADMIN)	3.0	0.0	0.0	3.0	0.0
STORES (BUS)	13.0	0.0	0.0	13.0	0.0
STORES (RAIL)	7.0	0.0	0.0	7.0	0.0
TELEPHONE INFORMATION SERVICES	17.0	0.0	0.0	17.0	0.0
TRANSIT STORES	8.0	0.0	0.0	8.0	0.0
Subtotal MTS Administration	253.5	0.0	0.0	253.5	0.0
<u>Bus Operations</u>					
CONTRACT SERVICES	8.5	0.0	1.0	9.5	0.0
EXECUTIVE (BUS)	3.0	0.0	0.0	3.0	0.0
MAINTENANCE	184.0	1.0	0.0	185.0	0.0
MAINTENANCE-FACILITY	5.0	-1.0	0.0	4.0	0.0
PASSENGER SERVICES	7.0	0.0	0.0	7.0	0.0
REVENUE (BUS)	12.0	0.0	0.0	12.0	0.0
SAFETY	1.0	0.0	0.0	1.0	0.0
TRAINING	8.0	0.0	0.0	8.0	0.0
TRANSPORTATION (BUS)	594.5	0.0	15.0	609.5	0.0
Subtotal Bus Operations	823.0	0.0	16.0	839.0	0.0
<u>Rail Operations</u>					
EXECUTIVE (RAIL)	4.0	0.0	0.0	4.0	0.0
FACILITIES	68.0	0.0	0.0	68.0	-1.0
LIGHT RAIL VEHICLES	86.0	0.0	0.0	86.0	0.0
MAINTENANCE OF WAYSIDE	38.0	0.0	0.0	38.0	0.0
MID-COAST POSITIONS	32.0	0.0	31.7	63.7	0.0
REVENUE (RAIL)	38.7	0.0	0.0	38.7	0.0
TRACK	18.0	0.0	0.0	18.0	-1.0
TRANSPORTATION (RAIL)	218.0	0.0	0.2	218.2	0.0
Subtotal Rail Operations	502.7	0.0	31.8	534.5	-2.0
<u>Other MTS Operations</u>					
TAXICAB	9.0	0.0	0.0	9.0	0.0
Subtotal Other MTS	9.0	0.0	0.0	9.0	0.0
Grand Total	1,588.2	0.0	47.8	1,636.0	-2.0

Metropolitan Transit System FY21 Operating Budget Overview

MTS Board of Directors
Budget Development Committee
April 3, 2020



Fiscal Year 2021 Operating Budget Budget Development Process

- MTS uses a zero based budgeting process:
 - In traditional historic budgeting, managers only justify variances versus prior year
 - The assumption is that the baseline is automatically approved
 - By contrast, in zero-based budgeting, every line item must be approved each year
- Operating Budget process begins in January
 - Budget Office meets with management from every discipline of the organization to:
 - Review current trends
 - Discuss and justify line item details of their budget requests
 - Roll-up of mid-year budget amendments (current year's budget)
 - Roll-up of the new fiscal year budgets (following year's budget)
 - Staff meets with the Budget Development Committee (BDC) to discuss budget results, challenges and receive organizational policy direction
 - Staff reports to the MTS Board of Directors on the resulting direction from the BDC
 - Board typically approves the new year budget in May

Fiscal Year 2021 Operating Budget Revenue Assumptions - Sales Tax Revenues

- State Transportation Development Act (TDA)
 - Established in 1971
 - ¼ cent sales tax assessed in the region
 - SANDAG apportions
 - San Diego County administers
 - Total region pool of \$159M in FY21
 - Provides:
 - Funding for operations
 - Matching funds to MTS Federal funds in Capital Improvement Program (CIP)
 - Total MTS apportionment: \$104.3 million
 - \$78.3 million in Operating Budget
 - \$26.0 million in CIP

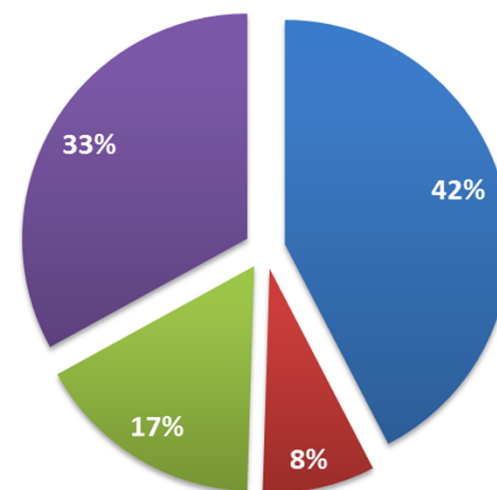


Fiscal Year 2021 Operating Budget Revenue Assumptions - Sales Tax Revenues

- TransNet (San Diego County)
 - ½ cent sales tax assessed in the region
 - \$329M projected for the region in FY21
 - \$10.3M off the top allocations for administration
 - Then allocated by the formulas in the table ->
 - Transit 16.5% of ½ cent gross amount for operations (\$52.6M)
 - Equates to approximately 1/9 cent, shared with NCTD
 - MTS apportionment = \$36.1 million
 - Includes \$5.5M for Prop A Senior Disabled Subsidy Fare Discount of 68%
 - 8.1% reimbursement for operations/maintenance of TransNet II projects
 - Superloop, BRT Routes, soon to be Mid Coast as well
 - MTS expected cost recovery = \$13.0 million in FY21

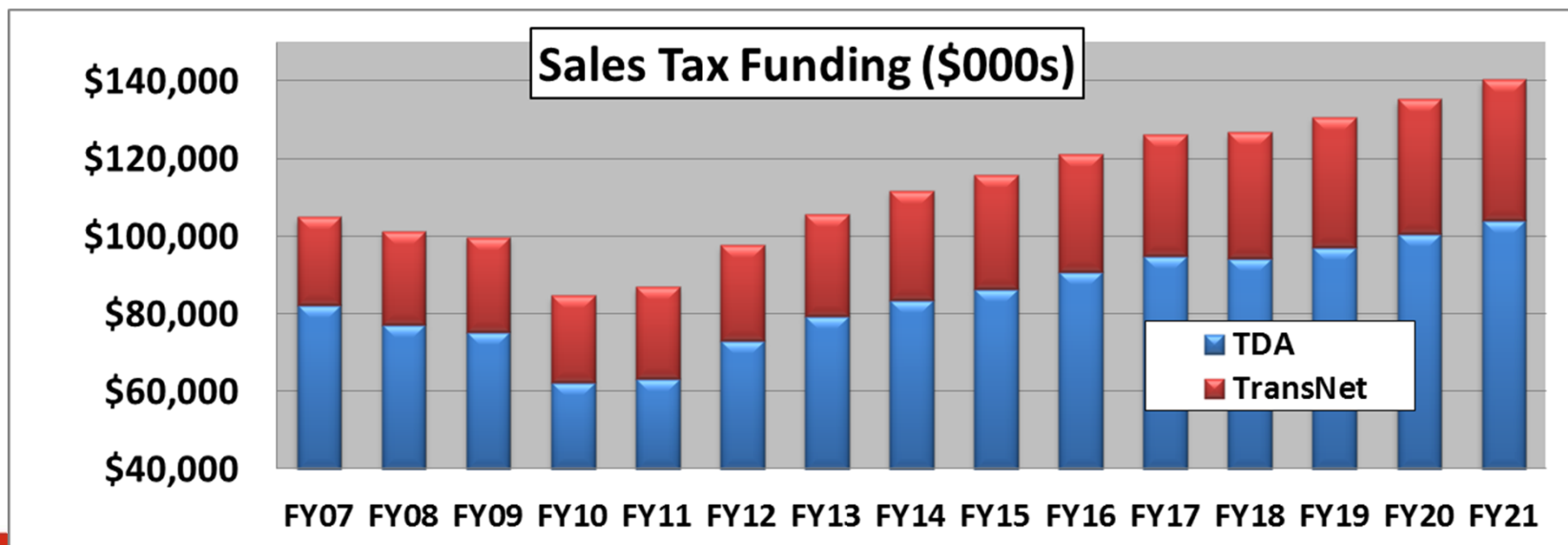
TransNet Program Allocations

- Major Corridors Program
- New BRT/Rail Operations
- Transit System Improvements
- Local System Improvement



Fiscal Year 2021 Operating Budget Revenue Assumptions - Sales Tax Revenues

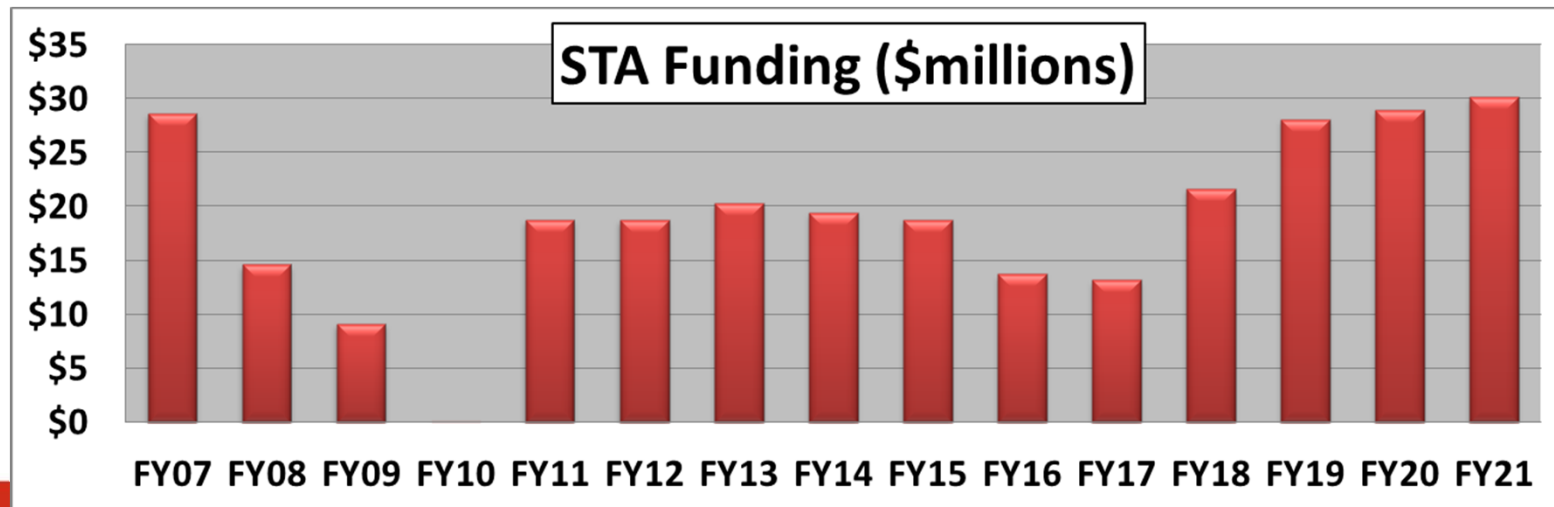
- TDA/TransNet Formula Funds for MTS
 - Began decline in FY08, bottomed out in FY10
 - FY14 finally back to FY07 levels (on a cash basis)
 - FY17 finally back to FY07 levels (adjusting for inflation)
 - 10 years of revenue growth, initial projection of 3.0% grow in FY21



Fiscal Year 2021 Operating Budget

Revenue Assumptions - State Transit Assistance (STA)

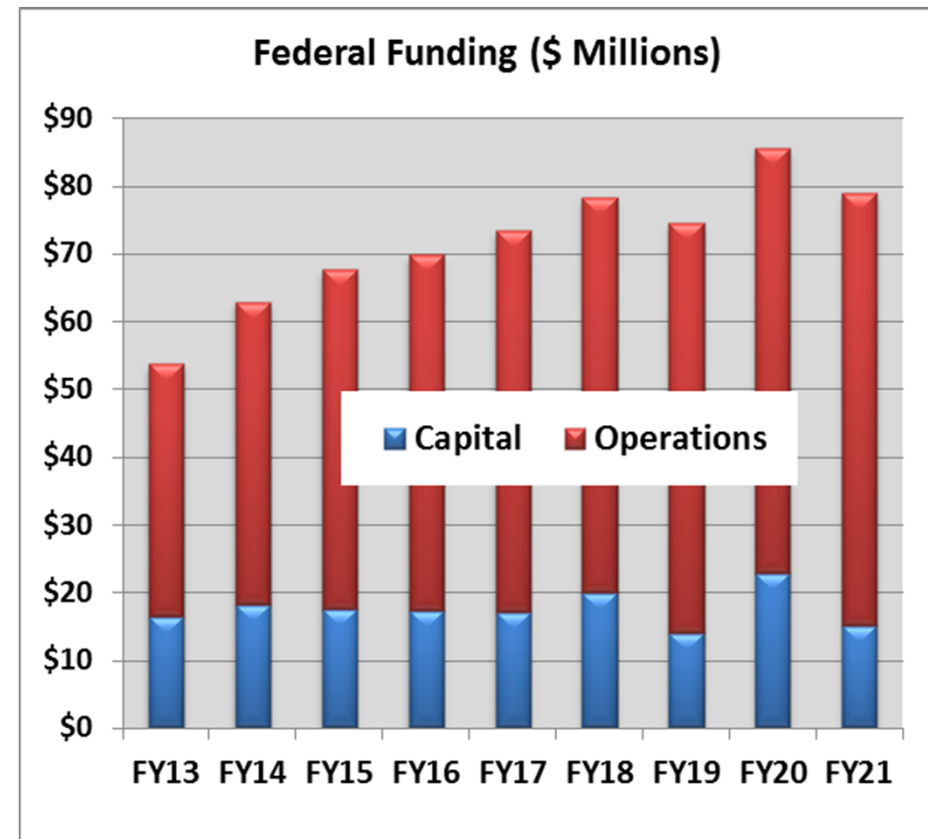
- State sales tax on diesel fuel
 - Distributed based on population and agency revenue
- Historically extremely volatile funding source
 - State of CA diverting dollars to General Fund
 - Diesel is a declining commodity
- Augmented by Senate Bill 1 (SB1) beginning in FY18
- Staff projects MTS to receive \$30.2 million in FY21
 - Due to volatile nature of revenues, Board has primarily directed funds to CIP
 - Static \$11.3 million shifted to operations to reinvest in services
 - \$18.9 million in CIP



Fiscal Year 2021 Operating Budget

Revenue Assumptions - Federal Transit Administration (FTA)

- 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 funding
 - 5339: Bus and Bus Facilities funding
 - Maximize use of Federal to fund Preventive Maintenance in Operations
 - Federal funding received on a reimbursement basis
 - Improves cash flow
 - Swap with TDA to preserve Capital share
 - Increase in Operating Budget of \$1.0M



Fiscal Year 2021 Operating Budget Revenue Assumptions - Other Subsidy Revenue

- Other Subsidy Revenues:
 - FasTrak Revenue from SANDAG
 - Toll revenue from the I-15 managed lanes
 - Subsidizes services in the I-15 corridor
 - Increased by \$7.5M in FY20 to fund I-15 BRT Routes
 - \$8.5M in total
 - MediCal Revenue
 - ADA Paratransit service reimbursement
 - \$0.3M in FY21
 - Other local sources - \$1.2M

Fiscal Year 2021 Operating Budget

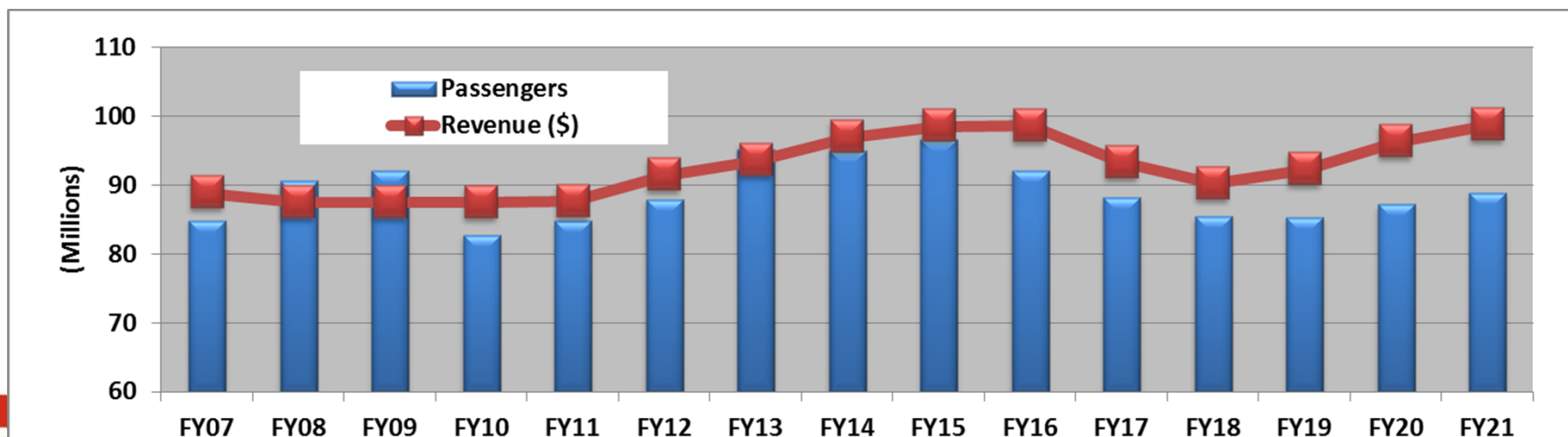
Revenue Assumptions - Passenger Fare Revenue

• Ridership

- Peak of 96.7M in FY15 followed by 3 years of declines
 - National trend has seen continued declines
- Growth of 3.5% in FY20 through February
- With added service on Blue Line and for Bus, expected continued growth in FY21
 - Assuming 2.0% growth in passengers

• Fares

- Regional fare increase in September leading to higher revenues
- Fare change results (September-February):
 - Year over year increase in revenue of \$2.8M
 - \$1.09 average fare is an increase of 2.7%



Fiscal Year 2021 Operating Budget Revenue Assumptions - Energy Credit Revenues

- \$9.3M in total included in the Operating Budget
- Federal Program – Renewable Fuels Standard
 - Use of Biogas (Green gas) that is produced naturally from landfills
 - Generates Renewable Identification Numbers (RINs) credits that are sold at market rates
 - Projected revenue of \$1.3M
- State Program – CA Air Resources Board (CARB)
 - Low Carbon Fuel Standard (LCFS) aimed at reducing greenhouse gas emission
 - Earn credits for Biogas bus fuel, \$4.5M
 - Earn credits for Trolley electricity usage, \$3.3M
 - Earn credits for Propane bus fuel, \$150K
 - Projected revenue of \$8.0M

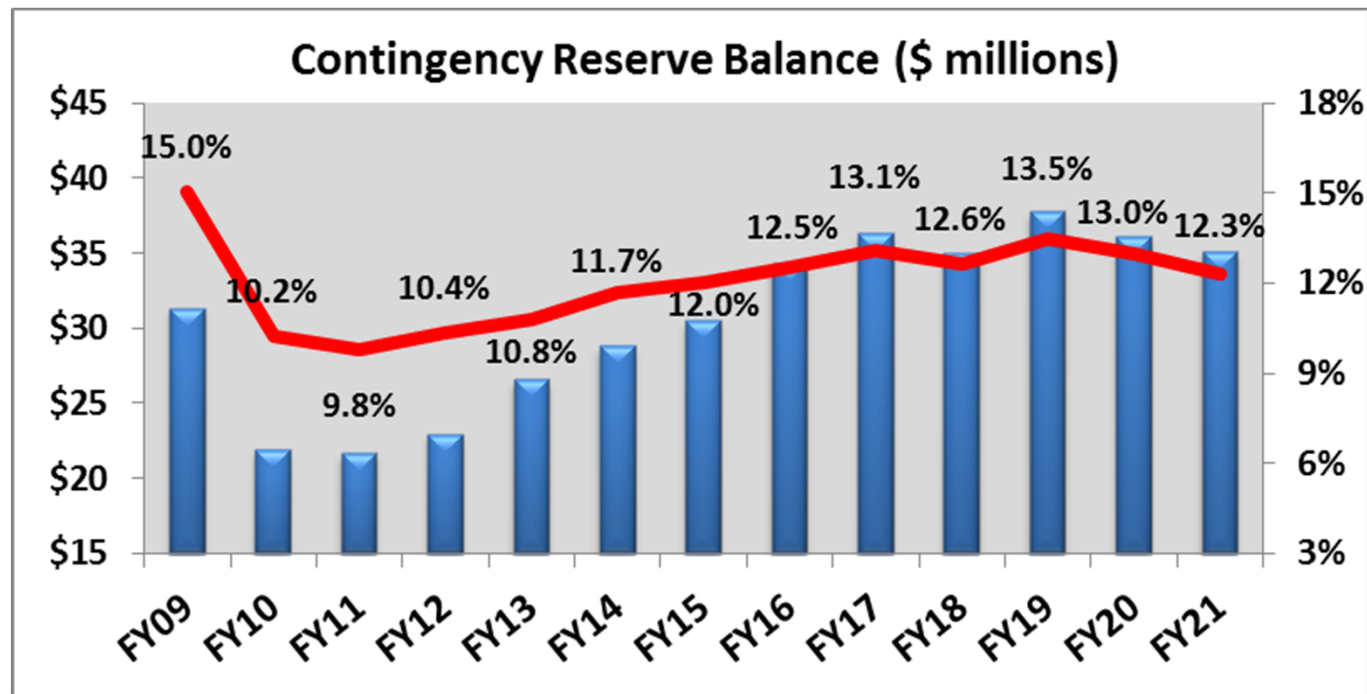
State LCFS Credits	
FY	Avg. Price
FY13	\$ 75
FY14	\$ 60
FY15	\$ 26
FY16	\$ 97
FY17	\$ 82
FY18	\$ 123
FY19	\$ 190
FY20	\$ 203

Fiscal Year 2021 Operating Budget Revenue Assumptions - Other Operating Revenues

- Revenues from a variety of sources:
 - Advertising
 - Bus/Trolley Advertising - \$2.0M
 - Bus Bench / Shelter Advertising - \$1.4M
 - Naming Rights:
 - \$675K for Blue Line
 - \$600K for Green Line
 - Real Estate related revenues - \$1.9M
 - Interest Income - \$1.0M
 - Compass Card new card/replacements fees - \$1.2M
 - Master Concessionaire - \$300K
 - Taxicab Admin - \$900K
 - All Other - \$1.3M

Fiscal Year 2021 Operating Budget Revenue Assumptions - Reserve Balance

- In FY13, Board policy set the target for the contingency reserve balance at 12.5% of the Operating Expense Budget
 - FY21 Target of \$36.7M
- Reserve Balance
 - Balance at June 30, 2019 of \$37.8M
 - FY20 Operating Budget using \$1.7M for the Ballot Measure Project
 - Projected balance at June 30, 2020 of \$36.1M
 - FY21 using \$0.6M for the Ballot Measure Project
 - Projected balance at June 30, 2020 of \$35.4M



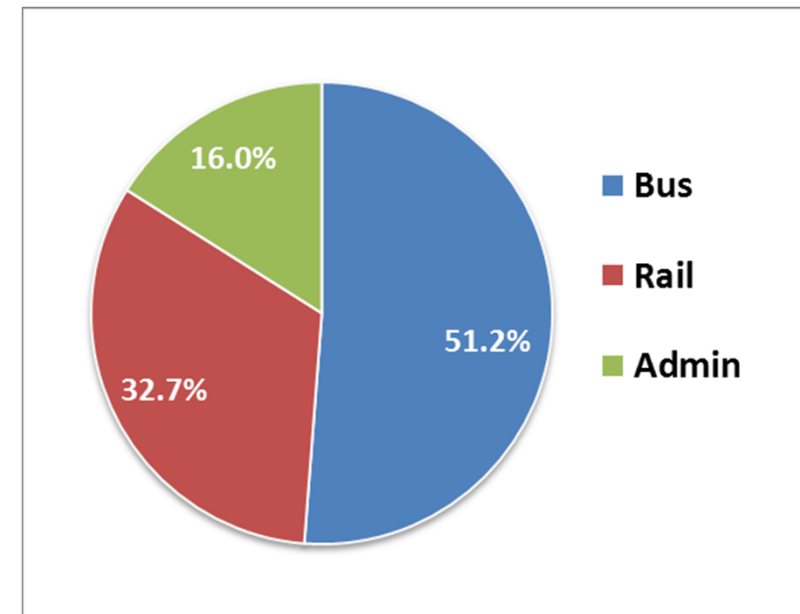
Fiscal Year 2021 Operating Budget Revenue Summary (\$000s)

	FY 2020 Amended	FY 2021 Proposed	Var.	Var. %
Passenger Revenue	\$ 96,296	\$ 98,699	\$ 2,402	2.5%
Other Operating Revenue	20,733	20,553	(180)	-0.9%
Total Operating Revenue	\$ 117,029	\$ 119,252	\$ 2,223	1.9%
Federal	63,251	64,182	931	1.5%
TDA	64,805	78,308	13,503	20.8%
TransNet Formula	29,495	30,645	1,150	3.9%
TransNet Operating	12,192	13,029	836	6.9%
STA	11,300	11,300	-	0.0%
Other	10,585	9,996	(589)	-5.6%
Total Subsidy	\$ 191,628	\$ 207,460	\$ 15,832	8.3%
Reserves	1,711	897	(814)	-
Total Revenue	\$ 310,368	\$ 327,609	\$ 17,241	5.6%

- Reserves relate to SD&AE and Taxicab Admin self funded activities, plus funding for Ballot Measure project

Fiscal Year 2021 Operating Budget Expense Assumptions - Personnel

- MTS Personnel Budget - Wages
 - 1,636 total MTS FTEs
 - Adding a Passenger Facilities Coordinator
 - Adding 15 Bus Operators for bus service increase
 - Adding 35 Mid-Coast positions
 - Reimbursed by SANDAG for Mid-Coast project
 - Represented Groups (79% of employees)
 - Bus Operators/Clerical – ATU
 - Bus Mechanics – IBEW
 - Trolley Operators/Mechanics/Clerical – SMART
 - Trolley Security – TEOA
 - Trolley Flagpersons – IBEW
 - Administration – Not represented
 - Total Wages - \$90.4M, increase of \$5.4M (6.3%)



Fiscal Year 2021 Operating Budget Expense Assumptions - Personnel

- MTS Personnel Budget - Fringe Benefits
 - Major Components:
 - Pension - \$28.0M, increase of \$2.6M (10.3%)
 - Healthcare - \$16.3M, increase of \$1.6M (11.0%)
 - Excluding Alliant settlement in FY20, increase of \$865K (5.6%)
 - Paid time off - \$12.3M, increase of \$0.6M (5.3%)
 - Other (Workers Compensation, Taxes, Cost Recovery, etc.) - \$2.7M, decrease of \$1.8M due to increased Cost Recovery related to Mid-Coast project
 - Total Fringe Benefits - \$59.3M
 - Increase of \$3.1M (5.4%)

Fiscal Year 2021 Operating Budget

Expense Assumptions - Purchased Transportation

- Purchased Transportation Budget
 - Fixed Route Contract - Transdev
 - Operates both South Bay and East County Divisions
 - Base contract expires June 2021
 - RFP on the street
 - ADA Paratransit Contract - First Transit
 - Operates out of the Copley Park Division
 - New Contract starts July 2020
 - 6 base years, 4 option years
 - Minibus Contract - First Transit
 - Operates out of the Copley Park Division
 - New Contract starts July 2020
 - 6 base years, 4 option years
 - Total of \$85.2M, increase of \$5.0M (6.3%)

Service	Cost per revenue	Miles/ Hours	FY20 Rate	FY21 Rate	Inc.
Fixed Route	Mile	10.8M	\$5.62	\$5.76	2.5%
ADA Paratransit	Hour	178K	59.09	62.47	5.7%
Minibus	Mile	1.2M	3.79	3.93	3.7%

Fiscal Year 2021 Operating Budget Expense Assumptions - Outside Services

- Outside Services Budget
 - Security costs increasing by \$289K (3.3%) due to contract rate increases
 - Repair & Maintenance costs decreasing by \$241K (-4.1%) primarily due to reductions within Rail Operations
 - Other Outside Service expenses decreasing by \$308K (-2.0%)
 - Ballot Measure project costs lower by \$1.2M
 - Transit Center related costs increasing by \$218K due to newly re-bid service and landscaping contracts
 - IT costs increasing by \$512K primarily due to cyber security initiatives and general inflation on maintenance agreements
 - \$564K cost increase due to CCTV maintenance costs which had previously been funded with Prop 1B grants
 - Total of \$31.0M, decrease of \$0.4M (-1.2%)

Fiscal Year 2021 Operating Budget Expense Assumptions - Energy

- Energy Budget

- Electricity Costs -\$18.4M, increase of \$2.0 (12.5%)
 - Traction power and facility electric
 - Electricity commodity - Market index rates - Calpine Energy Solutions is MTS's Direct Access energy service provider (ESP)
 - Transmission/demand - SDG&E rates
- Compressed Natural Gas - \$11.7M, increase of \$1.3 (13.0%)
 - Fixed route bus fleet
 - Natural gas commodity - Market index rates - BP Energy Company is MTS's natural gas ESP
 - Transportation - SDG&E rates
 - Facility Costs - Trillium maintenance contract
- Gas/Diesel/Propane - \$3.2M, decrease of \$0.1 (-3.7%)
 - Paratransit/Minibus/Express buses
- Total of \$34.6, increase of \$3.3M (10.5%)

Electricity	FY20 Amended	FY21 Proposed	Var. %
Usage (kWh, 000s)	62,894	64,851	3.1%
Rate (\$ per kWh):			
Commodity	\$ 0.059	\$ 0.063	6.1%
Renewable Energy	0.003	0.003	-
Transport/Demand	0.178	0.197	10.5%
Total Rate	\$ 0.240	\$ 0.262	9.2%

Natural Gas	FY20 Amended	FY21 Proposed	Var. %
Usage (Therms, 000s)	11,015	11,381	3.3%
Rate (\$ per Therm):			
Commodity	\$ 0.272	\$ 0.276	1.6%
Transport	0.311	0.362	16.6%
Stations Util./Maint.	0.358	0.357	-0.3%
Total Rate	\$ 0.940	\$ 0.995	5.8%

Fiscal Year 2021 Operating Budget Expenses Summary (\$000s)

	FY 2020 Midyear	FY 2021 Proposed	Var.	Var. %
Personnel Expenses	\$ 141,314	\$ 149,741	\$ 8,427	6.0%
Purchased Transportation	80,186	85,223	5,037	6.3%
Outside Services	31,344	30,954	(390)	-1.2%
Materials and Supplies	13,704	13,120	(584)	-4.3%
Energy	31,301	34,577	3,276	10.5%
Risk Management	4,800	5,767	967	20.1%
Other	7,720	8,227	507	6.6%
Total Expenses	\$ 310,368	\$ 327,609	\$ 17,241	5.6%

Fiscal Year 2021 Operating Budget Consolidated Revenues less Expenses (\$000s)

	FY 2020 Midyear	FY 2021 Proposed	Var.	Var. %
Operating Revenues	\$ 117,029	\$ 119,252	\$ 2,223	1.9%
Subsidy Revenues	191,628	207,460	15,832	8.3%
Total Revenues	\$ 308,657	\$ 326,712	\$18,055	5.8%
Total Expenses	310,368	327,609	17,241	5.6%
Net Operating Deficit	\$ (1,711)	\$ (897)	\$ 814	47.6%
Reserve Revenues	1,711	897	(814)	-47.6%
Revenues Less Expenses	\$ (0)	\$ 0	\$ 0	-

- Continue to refine the revenue and expense budgets
- Prepare budget book for Public Hearing in May

Fiscal Year 2021 Operating Budget Staff Recommendation

- That the Budget Development Committee forward a recommendation to the Board of Directors to recommend staff hold a public hearing on May 14, 2020 with the purpose of reviewing and approving the proposed combined MTS fiscal year 2021 operating budget