

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

03/05/2021

MINUTES

1. ROLL CALL

Ms. Moreno called the Budget Development Committee (BDC) meeting to order at 11:31am. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Ms. Salas moved to approve the minutes of the October 09, 2020 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Sandke seconded the motion, and the vote was 4 to 0 in favor, with Mr. Whitburn absent.

3. PUBLIC COMMENTS

There were no public comments.

4. Fiscal Year (FY) 2021 Operating Budget Midyear Amendment (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis gave an overview of the FY 2020 Operating Budget Midyear Amendment and presented a PowerPoint explaining the Revenue Assumptions and Expense Assumptions for FY21.

Mr. Thompson discussed the revenue assumption for sales tax revenues and provided an update on the funding from Transportation Development ACT (TDA) and TransNet. MTS updated forecast from TDA is \$97.8M, with an increase of \$11.0M from the COVID-19 revised budget, Mr. Thompson added that these funds can be used for both Capital and Operating budgets. With TransNet, the updated forecast is \$28.4M, with an increase of \$3.7M from the COVID-19 revised budget, the TransNet funds are to be used for the Operating Budget Only. The State Transit Assistance (STA) revised forecast is \$27.0M with an increase of \$2.0M from the COVID-19 revised budget, Mr. Thompson mentioned that the STA budget is based on the proposed budget amendment from the Governor which won't be approved until May 2021; the STA funds can be used for both Capital and Operating Budgets.

Mr. Thompson went over the Passenger Levels and Passenger Fare Revenue. He stated both passenger levels have been averaging at 42% of baseline since June 2020, and this trend is expected to continue through June 2021. Passenger fare revenue is \$46.6M, 47% of baseline and \$7.0M reduction from the original budget. Other Operating Revenues include, Energy Credits, Advertising, Real Estate and miscellaneous revenue are projected at \$18.4M, an increase of \$2.0M from the original budget. FY21 Operating Revenues are projected to decrease \$4.2M, total Subsidy Revenues are projected to increase \$15.1M, with a project total revenue of \$254.6M for FY21. Mr. Thompson added that the projected revenue of \$254.6M still falls short of the Pre-pandemic baseline revenue of \$327.6M.

Mr. Thompson reviewed the expense assumptions. Service levels for Bus-Fixed Route is 5.5% lower than budget and Paratransit is 68% lower. He mentioned the personnel expense assumptions includes a projected decrease of \$11.0M as wages are projected

to decrease by \$3.8M due to favorable overtime experience, fringe benefits having a projected decrease in pension cost and healthcare, partially offset by increased costs for paid time off. Outside services are expected to decrease by \$8.8M, which includes decreases from fixed route services of \$3.8M, ADA Paratransit decreasing by \$7.3M, the decrease also includes the increase of \$2.2M for repairs & maintenance. Mr. Thompson went over the Other Expense assumptions, which are decreasing by \$2.5M. The decrease includes the increase of \$3.2M in materials & supplies, decrease in energy budget of \$1.5M and a decrease of \$2.5M in General & Admin. FY21, Expenses are projected to decrease by \$19.8M (-5.7%) with a projected expense total of \$325.7M.

Mr. Thompson went over the Consolidated Revenues less Expenses. He stated revenue is favorable by \$10.9M, expenses are unfavorable by \$19.8M, and the total projected shortfall at -\$74.1M will be balanced with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Mr. Thompson, gave a breakdown of the CARES Act Balance which included a total apportionment of \$220.0M, FY20 Actual CARES funds used of \$17.9M, FY21 Projected CARES funds to be used of \$74.1M, leaving a remainder of \$128.0M, which is projected to last for a couple of years.

Action Taken

Mr. Whitburn moved to forward a recommendation to the MTS Board of Directors to enact resolution No. 21-1 amending the FY21 operating budget for the MTS, SDTC, SDTI MTS Contract Services and the Coronado Ferry. Mr. Fletcher seconded the motion, and the vote was 5 to 0 in favor.

5. Fiscal Year 2022 Operating Budget Discussion (Mike Thompson)

Mr. Thompson presented high-level projections and assumptions for the FY22 Operating Budget. Mr. Thompson mentioned that the current presentation is a very early look at FY22 and a more detailed presentation will be brought to the committee in 3 weeks. He mentioned the revenue assumptions for TDA/TransNet is a 3.76% growth for FY22, Mid-Coast will be going live in November of next year, and Federal revenues are projected to be at normal levels.

Mr. Thompson mentioned a major assumption that needs to be looked at is Passenger revenue. He mentioned the Pre-COVID baseline of passenger revenue was \$99M, and the FY21 Forecast is \$47M. Mr. Thompson continued on and presented 2 scenarios for passenger revenue, mentioning that the 2 scenarios include the impact of Pronto, fare ordinance changes and what recovery looks like. Scenario 1 has a 10% year over year growth projecting passenger revenue at \$51.0M, and Scenario 2 projects gradual improvement and a back to school bump in Fall of 2021, projecting passenger revenue at \$60.0M. Mr. Thompson went over the service levels for FY22. On the Rail side, service levels are projected to increase by 16%, Bus-Fixed Route is projected to be 1.8% higher than FY21 and Bus-Paratransit has a projected growth of 120% assuming there is gradual growth throughout the year.

On the expense side, Personnel costs increases will consist of Mid-Coast hires, that will be paid out of the operating budget come November, when Mid-Coast goes live, but no other major changes to headcounts. Wage increases are 3.25% for ATU, 3.0% increase for IBEW, SMART, TEOA and Management, Performance Improvement Program bonus of 1.0% for management, and Fringe Benefits increase of 5% in health care, 0.7% in San Diego Transit self-funded plan actuary and 9.4% in CalPERS plans actuary. The Contracted rates for Purchased Transportation are known at this point. Transdev has a new contract for fixed route, with an overall rate increase of 13.5% in the first year, First

Transit Contract has 3 pieces to the contract with Fixed costs increasing by 2.2%, ADA Paratransit increasing by 3.4% and Minibus increasing by 7.7%. Mr. Thompson mentioned a new security contract will begin in 01/01/2022, this contract will be impacted by the minimum wage increases.

In summary, the preliminary projection reflects a combined revenue of \$279.0M, combined expenses of \$348.0M, leading to total revenues less expenses at -\$69.0M, which will be balanced with the CARES Act funds. Mr. Thompson, gave a breakdown of the CARES Act Balance for FY22. The original Total Apportionment totaled \$220.0M, FY20 Actual CARES funds used was \$17.9M, FY21 projected CARES funds used is projected to be \$74.1M, and FY22 projected CARES funds used totaling \$69.0M leaves a remainder of \$59.0M. Mr. Thompson also mentioned that there are additional project stimulus funds from the American Rescue Plan (ARP) Act. The ARP Act has a cap of 132% of the FY18 Operating Expenses and is estimated to fund \$129.0M for MTS.

Mr. Thompson went over the plan for the stimulus funding. He mentioned the plan has been to keep the service levels stable and keep as much service on the streets as possible. He stated there will be revenue gaps in FY22 & FY23 until revenue can come up to the pre-COVID baseline. The deficits of the operating budget will be balanced with the CARES/ARP for as long as possible, and at the current revenue levels, the operating budget could stabilize in FY24-25. Mr. Thompson went over the option to draw CARES/ARP funding more rapidly, potentially holding excess local funds in a reserve for deficits in future years.

Action Taken

Ms. Moreno moved the action to receive the FY2022 Operating Budget Discussion report. Mr. Whitburn seconded the motion, and the vote was 5 to 0 in favor.

6. Next Meeting Date:
March 22, 2021

7. Adjournment
Ms. Moreno adjourned the meeting at 12:31pm

/s/ Vivian Moreno

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) 03/05/2021

CALL TO ORDER (TIME) 11:31

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 12:33

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
Moreno <input checked="" type="checkbox"/>	11:31	12:33
FLETCHER <input checked="" type="checkbox"/>	11:31	12:33
SALAS <input checked="" type="checkbox"/>	11:31	12:33
SANDKE <input checked="" type="checkbox"/>	11:31	12:33
Gloria <input type="checkbox"/> Whitburn <input checked="" type="checkbox"/>	11:38	12:33

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE: *Leticia Mansour*

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: *James Carter*