

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

03/22/2021

MINUTES

1. ROLL CALL

Ms. Moreno called the Budget Development Committee (BDC) meeting to order at 11:00am. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Whitburn moved to approve the minutes of the March 05, 2021 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Sandke seconded the motion, and the vote was 4 to 0 in favor, with Mr. Fletcher absent.

3. PUBLIC COMMENTS

Noe Harris – commented on the FY22 CIP agenda item, he applauded MTS for supporting the reduction on youth fares, adding free transfers and working to implement PRONTO, without increasing fares. Mr. Harris added that he recommends for MTS to work with SANDAG on including youth opportunity passes, no cost transit youth passes as no cost passes will increase access to education, activities and employment for youth. He also mentioned to accelerate the transition to Zero Emission Bus (ZEB) and to prioritize the deployment of ZEB to communities more impacted by pollution.

4. Fiscal Year (FY) 2022 Operating Budget Discussion (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis gave an overview of the FY 2022 Operating Budget Midyear Amendment and presented a PowerPoint explaining the Revenue Assumptions and Expense Assumptions for FY22.

Mr. Thompson discussed the revenue assumption for sales tax revenues. He mentioned the Transportation Development ACT (TDA) region pool projection is \$159M for FY22 and MTS will receive \$101.7M. The \$101.7M will be used between the Operating Budget at \$68.6M and Capital Improvement Program (CIP) at \$33.1M. The TransNet Program region pool projection is \$320M. Of this total pool, MTS will receive \$20.7M in operating reimbursement for TransNet projects and the formula pool allocation for MTS is \$35.1M to be used for fare discounts on Senior, Disabled and Youth passes (\$5.5M), as well as operations (\$29.6M). State Transit Assistance (STA) Revenue is projected at \$28.1M. STA funding is a fixed budget amount that goes in to the Operations budget and funds Capital projects. For FY22, the fixed budget allocation for Operations is \$11.3M and the remainder will be allocated to the Capital budget. Mr. Thompson mentioned this is the last year of the current legislation for Federal Transit Administration (FTA) funding, with an end date of 09/30/2021. The funding from FTA is projected at \$79M and can be used in both the Operations budget and Capital projects budgets. Mr. Thompson also mentioned the FTA is all based on reimbursement of costs, and the money is not received until it has been spent. Mr. Thompson went over the other subsidy revenue, such as San Diego Association of Governments (SANDAG) FasTrak fixed revenue of \$8.5M and other state and local sources totaling \$1M.

Mr. Thompson went over the Passenger Levels and Passenger Fare Revenue. He stated based on the new normal the FY22 forecast is \$47.4M, however this new normal will have some additional changes that impact the forecast. These additional changes include the new best fare for Pronto which will have a revenue reduction of \$2.2M, students going back to school will have a revenue increase of \$1.2M and Mid-Coast will have a revenue increase of \$3.1M, giving MTS a FY22 forecast of \$49.5M. Mr. Thompson reviewed the Revenue Summary for FY22. Total Operating Revenue is increasing by 6.3%, total Subsidy Revenue is increasing by 7.5%, and Total Revenue is increasing by 7.0% all compared to the FY21 Amended Budget.

Mr. Thompson went over the FY22 Expenses. With regard to service levels, Trolley Operations is increasing 18.7% in overall service levels, Bus-Fixed Route is 1.8% higher than FY21 forecast and Paratransit is increasing significantly as demand for the service increases. He mentioned the personnel expense assumptions includes a projected increase of \$7.3M. The increase includes adding 34 Mid-Coast positions in November, adding a Grants Administrator, and wage increases include a 3.5% increase for ATU, 3.0% increase for IBEW, SMART, TEOA and management. Fringe benefits are forecasted to decrease by \$2.4M. This decrease is primarily due to the extra payment in FY21 of \$7.8M to the San Diego Transit Corporation (SDTC) Pension Plan, offset by healthcare increases by approximately 5%. Purchased transportation is projected to increase by \$19.4M or 26.2%. This increase is due to increased service levels and contract rates. TransDev's contract is increasing by 13.5% for the first year, First Transit's contract is increasing by 2.2%, and the First Transit's ADA paratransit and Minibus contract variable rates are increasing by 3.4% and 7.7% respectively. Outside services will have an increase of \$3.4M or 10.1%, which primarily includes \$750k in increases from a renewed security contract, repair & maintenance costs increasing by \$1.5M, and other outside services increasing \$1.1M. Mr. Thompson went over the Energy expense assumptions, which are increasing by \$6.4M or 19.5%. The increase is highly impacted by the service levels, with electricity and Compressed Natural Gas (CNG) increasing the most. Electricity costs are increasing by 24.8%, and CNG is increasing by 15.4%. Materials and supplies are projected to decrease by \$3.4M or 20.3%, risk management costs are expected to decrease by \$262K or 3.6%, general and administrative costs are projected to increase by \$763k or 18.2%, and leases are expected to increase by \$45K or 3.4%. FY21 expenses are projected to increase by \$31.0M or 9.5% with a projected expense total of \$357.2M.

Mr. Thompson went over the Consolidated Revenues less Expenses. He stated revenue is favorable to budget by \$18.4M, expenses are unfavorable by \$31.0M, and the total projected shortfall at -\$84.2M 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, and FY22 projected CARES funds to be used of \$84.2M leaving a remaining balance of \$43.8M. Mr. Thompson mentioned that a second round of stimulus funding is coming from the American Rescue Plan Act (ARP). The amount of the funding has not been verified but based on the formula, the funding is projected to be an estimated \$129M for MTS. Mr. Thompson added that the ARP funds must be programmed by 9/30/2024 in order to not lose the funds.

Action Taken

No action was taken. Information item only.

5. Fiscal Year (FY) 2022 Capital Improvement Program (CIP) (Mike Thompson)

Sharon Cooney Chief Executive Officer (CEO) gave an overview of the development of the FY22 CIP Guiding Principles. She went over Board Policy 65 – Transit Asset Management (TAM) and Board Policy 42 – Vision for MTS Services.

Mr. Thompson gave an overview with a PowerPoint presentation to discuss the proposed FY22 capital funding levels. Mr. Thompson mentioned the available FY22 funding for the Capital Program is \$125.5M of which \$54.7M are non-recurring funds. Mr. Thompson went over the proposed FY22 projects that will be funded and explained priority 1 projects are high priority, which includes safety and operational needs projects. In total, 48 projects will be funded totaling \$125.5M. Mr. Thompson went over the capital project categories and mentioned that the majority of the projects are for revenue vehicles with a total of \$70.7M or 57% of the total. Facility & Construction project funding totaled \$26.1M or 21%, Rail Infrastructure funding totaled \$16.7M or 13% and Other Equipment & Installation funding added to \$12.0M or 10%.

Mr. Thompson went over the 5-year unconstrained project list with a projected total need of \$840M. The majority of the project costs is coming from the Bus and Rail Revenue Vehicles with a total of \$357.8M or 43% of the total, and Facility and Construction Projects with a total of \$304.0M which includes the new charging infrastructure for ZEB.

Action Taken

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

1. Approve the fiscal year 2022 CIP with the estimated federal and nonfederal funding levels (Attachments A and B). As the federal appropriation figures are finalized and/or other project funding sources become available, allow the CEO to identify and adjust projects for the adjusted funding levels;
2. Recommend that the SANDAG Board of Directors approve the submittal of Federal Section 5307, 5337 and 5339 applications for the MTS FY22 CIP (shown in attachment A);
3. Recommend that the SANDAG Board of Directors approve amendment number 1 of the 2021 Regional Transportation Improvement Program (RTIP) in accordance with the FY22 CIP recommendations.

Ms. Salas second the motion and the vote was 5 to 0 in favor

6. Next Meeting Date:
April 26, 2021

7. Adjournment
Ms. Moreno adjourned the meeting at 12:06pm

/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) 03/22/2021

CALL TO ORDER (TIME) 11:00am

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 12:06pm

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
Moreno <input checked="" type="checkbox"/>	11:00	12:06
FLETCHER <input checked="" type="checkbox"/>	11:05	12:06
SALAS <input checked="" type="checkbox"/>	11:00	12:06
SANDKE <input checked="" type="checkbox"/>	11:00	12:06
Gloria <input type="checkbox"/> Whitburn <input checked="" type="checkbox"/>	11:00	12:06

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

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