

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

04/26/2021

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

Ms. Salas moved to approve the minutes of the March 22, 2021 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Sandke seconded the motion, and the vote was 5 to 0 in favor.

3. PUBLIC COMMENTS

There were no public comments.

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

Mike Thompson, Director of Financial Planning and Analysis presented a PowerPoint explaining the Revenue Assumptions and Expense Assumptions for FY22.

Mr. Thompson went over the Passenger Levels and Passenger Fare Revenue. He mentioned ridership has been at a baseline of 42% since June 2020 but for the month of March 2021 ridership increased and is currently at 43.8%. Mr. Thompson mentioned that based on the new normal, MTS is projecting a growth of 11.1% in ridership, this includes Mid-Coast and students returning to school in the Fall. He stated based on the new normal for FY22 of 47% baseline on passenger revenue, the forecast is projected at \$49.5M. The projected forecast includes the negative revenue impact of the new fare system launching in August and the ridership growth from Mid-Coast and students. Mr. Thompson added that the baseline for March did have an increase and was at 50%. He stated that a significant increase in ridership and revenue could continue as things continue to recover.

Mr. Thompson went over the Other Operating Revenues, which includes Energy Credits, Advertising, Real Estate and All Other; mentioning the pre-pandemic baseline was \$20.6M, FY21 Amended decreased to \$18.4M and the FY22 Projected Revenue increased to \$21.5M. Mr. Thompson mentioned Energy Credits are increasing by \$2.0M, which is primarily due to the additional Trolley miles, Advertising is increasing by \$0.9M, Real Estate is increasing by \$1.1M and all other is increasing by \$0.1M. Mr. Thompson mentioned the small increase in the All Other Revenue comes from low interest rates and the sale of Compass Cards being much lower than in the past. Overall there is a

projected increase of \$900K from the pre-pandemic baseline, and a projected increase of \$3.1M from the FY21 amended budget. Mr. Thompson reviewed the Revenue Summary for FY22. Total Operating Revenue is increasing by \$6.0M, 9.3%, total Subsidy Revenue is increasing by \$14.2M, 7.5%, and total Revenue is increasing by \$19.8M, 7.8% all compared to the FY21 Amended Budget.

Mr. Thompson went over the final adjustments for the FY22 Operating Budget. He mentioned the total expense reduction from the prior draft is \$2.1M. These reductions come from Fringe Benefit assumptions reduced by \$2.4M, Outside Service costs increased by \$1.0M, Purchased Transportation costs decreased by \$0.9M and Energy costs increased by \$0.5M. Mr. Thompson summarized the FY 22 Operating Budget Expenses. Personnel Expenses are projected to increase by \$2.4M, 1.5%; Purchases Transportation is increasing by \$18.5M, 25%; Outside Services are increasing by \$4.4M, 13.3%; Materials and Supplies is decreasing by \$3.4M, 20.3%; Energy is increasing by \$6.9M, 20.9%, Risk Management is decreasing by \$0.3M, 3.6% and Other Expenses are increasing by \$0.4M, 6.9%. In total, Expenses are growing by \$28.9M, 8.9%. Mr. Thompson mentioned the Proposed FY22 budget will result in a \$80.3M, 12.1% deficit, which will be covered with Coronavirus Aid, Relief, and Economic Security (CARES) Act funds. The projection of the use of the CARES Act in the next 3 years is \$173M, or 78% of \$220M that was apportioned to MTS. MTS is still waiting to receive more information on the American Rescue Plan (ARP) Act, which is estimated to be \$130-140M more in relief funds. Mr. Thompson went over the Reserve Balance. He mentioned that the policy for the contingency reserve is to set the target at 12.5% of the Operating Expense Budget. The FY 22 reserve target balance is \$39.8M, and the reserve balance at the end of FY20 was \$39.3M. Of the \$39.3M balance, \$500K will be used to cover expenses in FY21, leaving a projected balance of \$38.8M.

Mr. Thompson went over the 5-year projection, explaining that Passenger Revenue is projected to get back to baseline by FY26. He mentioned that we are at about 47% of baseline in FY21, with more ridership growth in FY22 and a more dramatic improvement in FY 23 and FY24 as things get back to normal. Federal Revenue is projected to be stable, new legislation is coming at the end of the calendar year but not projecting significant changes at this point. Sales Tax Revenue is at an average of 3.5% growth per year, per the San Diego Association of Governments (SANDAG) latest numbers. No additional service other than Mid-Coast first full year in FY23 is expected. He went over the Expense Assumptions with CPI at 2.5%, 3.0% wage/benefit inflation, purchased transportation rates grow by 5.3%, energy rates are stable and all debt service will be paid in full in mid-FY24, leaving some expense savings after the payoff. Mr. Thompson went over the 5-Year Projection Summary, mentioning FY22 Proposed Recurring Revenues at \$274.8M and Total Operating Expenses at \$355.2M leaving a Deficit of \$80.3M. Deficits for FY23 through FY26 are \$64.7M, \$55.9M, \$50.9M and \$49.7M. Mr. Thompson mention the deficit will be balanced with stimulus funding up until FY26, with structural deficits still forecasted beyond that fiscal year.

Mr. Thompson gave an overview of the major initiatives at MTS, including the participation in the regional solution for homelessness, addressing the structural deficit, the launch of Pronto in August 2021, the launch of Mid-Coast in November 2021, significant capital needs over the next 5 years, and Federal funding legislation reauthorization.

Action Taken

Mr. Sandke moved to forward a recommendation to the MTS Board of Directors to recommend staff hold a public hearing on May 13, 2021 with the purpose of reviewing and approving the proposed combined MTS FY 2022 Operating Budget. Mr. Whitburn seconded the motion, and the vote was 5 to 0 in favor.

5. Fiscal Year (FY) 2022 - 2026 Capital Improvement Program (CIP) (Mike Thompson)

Mr. Thompson gave an overview with a PowerPoint presentation to discuss the proposed FY22 Capital Funding Levels. Mr. Thompson mentioned that for the next 5 years, the total unconstrained needs for projects is \$840M, with the primary need being Trolley and Bus vehicles. He mentioned that the remaining projects are broken down in to two categories: ongoing state of good repair requirements, which makes up \$580M or 69% of the overall need and other Major Initiatives which makes up approximately \$260M.

Mr. Thompson went over the CIP FY22 State of Good Repair (SGR) Projects. Bus and Trolley vehicles are typically the first to be funded, and over the next five years, 387 buses will reach their 12-year life cycle and will need to be replaced with a total cost over the next five year at \$239.8M. Forty-seven (47) Light Rail Vehicles (LRV) will reach their 25-30-year life cycle and will need to be replaced with a total cost over the next 5 years at \$118.0M. The CIP Facility & Construction Projects, which includes maintenance on existing MTS admin buildings, fueling facilities, and Transit Centers, is project to cost \$55.6M over the next five years. Rail Infrastructure (Maintenance of Wayside and Track) is projected to cost over \$117.8M over the next five years. Other Equipment & Installation Projects is budgeted at \$49.0M over the next five years. Mr. Thompson mentioned that the total expense for SGR for all five categories is \$580.2M over the next five years.

Mr. Thompson went over the Major Initiatives including Division 6, modernization projects of Imperial Avenue Division (IAD) and Kearny Mesa Division (KMD), as well as ZEB Infrastructure at South Bay, Imperial Ave., Kearny Mesa and East County Divisions. He also mentioned that the San Ysidro Intermodal Transit Center has been funded for Design in FY22. Service Expansion includes Iris Rapid, which has been funded by the Transit and Intercity Rail Capital Program (TIRCP), and the Southwestern Rapid and El Cajon Transit Center Third Track has also been partially funded by TIRCP. The total expense for Major Initiatives over the next 5 years is \$260.0M.

Mr. Thompson reviewed the CIP costs for the next 5 years. Total available CIP Revenue total \$510.1M with a total Deficit of \$330.1M (60.7% funded).

Julia Tuer, Manager of Government Affairs, went over the Congressional Community Project Request process, mentioning there are two mechanisms to submit project requests for congressional designated spending. The 1<sup>st</sup> mechanism is Community Project Requests, also known as "earmarks", which is funded through the Federal FY 2022 Appropriations process. Members are limited to submitting ten requests and funding requests to be around the \$1M range. The 2<sup>nd</sup> mechanism is the Transportation & Infrastructure (T&I) Member-Designated Community Project Requests, which are

funded through the Highway Trust Fund. This process does not limit members to submit a certain number of requests, however, members will be asked to rank their top five requests. Ms. Tuer mentioned the submitted Community Projects Requests include the IAD ZEB Infrastructure and Imperial Avenue Transit Center Expansion, and the submitted T&I Member-Designated Community Project Request includes ZEB Purchases, the South Bay ZEB Infrastructure Rapid 725 (Southwestern BRT), a New Bus Division Facility (Division 6) and the Trolley Yard Expansion Project. Ms. Tuer mentioned they are still in the early stages of the project request cycle.

Action Taken

No Action was taken. Information item only.

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

6. Next Meeting Date:

To Be Determined

7. Adjournment

Ms. Moreno adjourned the meeting at 12:01pm

/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) 04/26/2021

CALL TO ORDER (TIME) 11:00am

RECESS \_\_\_\_\_

RECONVENE \_\_\_\_\_

CLOSED SESSION \_\_\_\_\_

RECONVENE \_\_\_\_\_

ADJOURN 12:01pm

| BOARD MEMBER<br>(Alternate)   | PRESENT<br>(TIME ARRIVED) | ABSENT<br>(TIME LEFT) |
|---|---------------------------|-----------------------|
| Moreno <input checked="" type="checkbox"/>  | 11:00am                   | 12:01pm               |
| FLETCHER <input checked="" type="checkbox"/>  | 11:00am                   | 12:01pm               |
| SALAS <input checked="" type="checkbox"/>   | 11:00am                   | 12:01pm               |
| SANDKE <input checked="" type="checkbox"/>  | 11:00am                   | 12:01pm               |
| <del>Gloria</del> <input type="checkbox"/> Whitburn <input checked="" type="checkbox"/> | 11:00am                   | 12:01pm               |

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE: Lucia Mansour

Lucia  
Mansour

Digitally signed by Lucia Mansour  
DN: cn=Lucia Mansour, o=Finance, ou,  
email=Lucia.Mansour@sdmts.com,  
c=US  
Date: 2021.04.29 12:09:09 -0700

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: \_\_\_\_\_

*James Anderson*