

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

10/09/2020

MINUTES

1. ROLL CALL

Ms. Salas called the Budget Development Committee (BDC) meeting to order at 1:03pm. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Ms. Salas moved to approve the minutes of the April 03, 2020 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Sandke seconded the motion, and the vote was 4 to 0 in favor.

3. PUBLIC COMMENTS

There were no public comments.

4. Fiscal Year (FY) 2020 Final Budget Comparison (Gordon Meyer)

Sharon Cooney, Chief Executive Officer (CEO), gave a brief overview of the FY 2020 Final Budget Comparison. She mentioned that the budget gap caused by COVID-19 is being filled with the one-time Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Gordon Meyer, Supervisor of Operating Budget, reminded the board that the FY20 budget does include \$33.5M of projected CARES Act funding, to help cover the forecast revenue loss and increased expenses resulting from COVID-19. Mr. Meyer mentioned MTS did have a favorable budget results in FY20, which resulted in less CARES funding to balance the deficits and have more available CARES Act funding for FY21.

Mr. Meyer went over the FY20 Operating Revenue. He mentioned fare revenue was favorable by \$3.2M, 4.2%, and fare revenue was unfavorable to the prior year by \$12.7M, -13.8%. Other operating revenue was favorable by \$3.1M, 16.5%. He also stated that the loss of energy credit, interest, advertising and rental income was not as severe of a loss as initially projected and other operating revenue was favorable by \$6.3M, 6.7%.

Mr. Meyer gave an overview of the Operating Expenses for the end of FY20. With personnel expenses ending at \$4.9M, 3.4% favorable, he explained this was primarily due to favorable paid absences from the Families First Coronavirus Respond Act (FFCRA). He explained other areas that were favorable were; health & welfare, operating wages and operator wages due to reduced service levels. Overall the operating expenses were favorable by \$7.2M, 2.3% and a total combined net operating favorable variance of \$13.5M, 6.3%.

Mr. Meyer went over the Non-Operating Revenue totals, he mentioned federal revenue was unfavorable by \$121k, -0.2%, FTA CARES, was unfavorable by \$15.6M, -46.6%. Mr. Meyer mentioned Transportation Development Act (TDA) was favorable by \$4.7M, 8.0%, originally a \$6M decrease was projected due to the pandemic but the full FY20 TDA claim amount was received from the county. All together the Non-Operating Revenue was unfavorable by \$9.3M, -4.3%. Overall the total operating and non-operating revenues and expenses were favorable by \$4.2M, however Mr. Meyer did mention that without the one-time CARES Act we would have a structural deficit of \$13.7M because of the COVID impact.

Mr. Meyer went over the Contingency Reserve balance, mentioning that the policy for the contingency reserve is to set the target at 12.5% of the operating expense budget. He mentioned the FY21 target is \$39.3M and based on the FY20 reserve target, MTS has \$4.1M in excess revenues over expenses. Mr. Meyer mentioned that by adding the \$4.1M in contingency reserves, it will put the reserve target at 13.3%, \$2.6M higher than the reserve target of 12.5%. Mr. Meyer's proposed allocation is to allocate \$1.5M to contingency reserve to achieve the 12.5% target and to allocate \$2.6M to Capital Improvement Project (CIP) to reflect the Board's decision to accelerate Zero Emission Busses (ZEB) purchases in FY22.

Action Taken

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

1. Allocate \$1.5M to Contingency Reserve balance to remain at 12.5% target
2. Transfer \$2.6M to CIP to reflect Boards decision to accelerate ZEB purchases in FY22

Ms. Salas seconded the motion, and the vote was 4 to 0 in favor.

5. Fiscal Year 2021 Budget Update (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, gave an overview of the FY21 Operating Budget. He stated the Operating Budget that was brought to the Board in April 2020 as a draft budget and did not include the impact of COVID-19. Mr. Thompson mentioned some of the impacts of COVID-19 include drastic revenue reduction of \$84M and \$18M of increase expenses. He also mentioned some of the uncertainties of the pandemic, such as ridership, the recession and sales tax receipts.

Mr. Thompson went over the Revenue Assumptions for Sales Tax Revenues. He mentioned the sales tax receipts are higher than anticipated, Calendar Year (CY) 20 - 3rd quarter is 0.5% higher than CY19 - 3rd quarter. He mentioned the sales tax effect the TDA and TransNet formula funding. While TDA's original MTS apportionment was \$104.3M, the revised COVID-19 budget dropped to \$86.8M, and the latest updated apportionment is \$91.9M. With TransNet, the original MTS apportionment was \$30.6M, the revised budget decreased to \$24.6M, and the new apportionment is \$25.0M. He mentioned another big change is the State Transit Assistance (STA) apportionments changing from the original apportionment of \$34.2M, decreasing with the revised budget to \$25.0M, and the new apportionment is \$22.4M.

Mr. Thompson went over the Passenger Fare Revenue. Based on the 6 months of real COVID-19 data, ridership and ridership revenue dropped 29% from the baseline in April, with ridership slowly increasing in May 2020 – August 2020 and staying within 42% - 43% of the baseline. Other operating revenues also being impacted include energy credits, advertising, real estate and other miscellaneous revenue. Pre-COVID-19 budgeted revenues were \$20.6M, with the new budget decreasing to \$18.2M. He explained that energy credits had a drastic decrease in March and April, but the credits came back up in May. Consolidated Revenues are projected to decreased as compared to the original approved budget by \$441,000, with Passenger Revenue decreasing by \$6.0M offset by increases in Other Operating Revenues and Subsidy revenues totaling \$2.6M and \$2.9M respectively. Total revenues for FY21 are projected at \$243.5M.

Mr. Thompson reviewed the FY21 Expense assumptions. He stated that service levels did have some additional expenses due to the pandemic, and additional car trains had to be added to the routes for social distancing. He also mentioned Paratransit is down about 50% lower than originally projected. He stated the personnel expense assumption includes a projected decrease of \$10.8M as wages are projected to be \$1.8M lower from the original budget primarily due to bus service hours and the reduced need for operator hours on the bus side, fringe benefits having a projected savings of \$8.0M on the SDTC pension plan contribution side, and healthcare projected at \$550K less. Outside services are estimated to decrease by \$9.8M, which includes decreases from Fixed Route services of \$3.5M, ADA Paratransit decreases of \$5.8M and Security costs decreases of \$470K. Mr. Thompson stated the energy budget is decreasing about \$0.9M. In total, expenses are projected to have \$21.0M, of savings compared to the original budget. Mr. Thompson stated that \$98.9M of CARES Act is being used between FY20 and FY21.

Mr. Thompson presented a 5-year projection for the Operating Budget. The updated operating revenue shows slower growth on the ridership recovery than originally projected, with other revenue coming up a bit faster. The projected structural deficit in FY21 is -\$81.0M, decreasing slightly to -\$42.4M in FY25. These deficits will be covered by funding from the CARES Act as long as that funding lasts, currently projected into FY24. Mr. Thompson went over the on-going concerns with the FY21 budget, with the top concern being COVID-19, recession recovery and rising costs.

6. Next Meeting Date:
To Be Determined
7. Adjournment
Ms. Salas adjourned the meeting at 1:51pm

/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) 10/09/2020

CALL TO ORDER (TIME) 1:03pm

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 1:51pm

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ARAMBULA <input type="checkbox"/>		
FAULCONER <input type="checkbox"/> MORENO <input checked="" type="checkbox"/>	1:03pm	1:51pm
FLETCHER <input checked="" type="checkbox"/>	1:03pm	1:51pm
SALAS <input checked="" type="checkbox"/>	1:03pm	1:51pm
SANDKE <input checked="" type="checkbox"/>	1:03pm	1:51pm

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE:



CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

