

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

03/24/2022

MINUTES

1. ROLL CALL

Ms. Moreno called the Budget Development Committee (BDC) meeting to order at 1:02pm. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Ms. Salas moved to approve the minutes of the February 24, 2022 San Diego Metropolitan Transit System (MTS) BDC meeting. Mr. Whitburn seconded the motion, and the vote was 5 to 0 in favor, with Mr. Fletcher absent.

3. PUBLIC COMMENTS

There were no public comments.

4. Fiscal Year (FY) 2023 Operating Budget Discussion (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis gave an overview of the FY 2023 Operating Budget and presented a PowerPoint explaining the Revenue Assumptions and Expense Assumptions for FY23.

Mr. Thompson discussed the revenue assumption for sales tax revenues. He mentioned the Transportation Development ACT (TDA) is forecasted by San Diego Association of Governments (SANDAG) every year, as of February, they have projected a growth of 0.7% for FY 23, however sales have been strong the past few months and a revised forecast is expected. The FY23 region pool projection is \$176.4M for FY23 and MTS will receive \$116.3M. The \$116.3M will be used between the Operating Budget at \$82.7M and Capital Improvement Program (CIP) at \$33.6M. The TransNet Program region pool projection is \$375.6M, this projection is also expected to change as this projection was based on the 0.7% growth assumption. Of this total pool, MTS will receive \$22.4M in operating reimbursements, and a separate formula pool allocation for MTS of \$40.8M to be used for fare discounts on Senior, Disabled and Youth passes (\$5.5M), as well as operations (\$35.3M). State Transit Assistance (STA) Revenue is projected at \$35.9M. For STA funding, MTS keeps a fixed budget amount in the Operations budget and the remaining funds for Capital projects. For FY23, the fixed budget allocation for Operations is \$11.3M and the remainder will be allocated to the Capital budget. Mr. Thompson mentioned that the federal surface transportation infrastructure law was reauthorized in December 2021, this legislation secures funding in place through 09/30/2026. He mentioned the FTA volumes are expected to increase by potentially \$25M - \$30M under the new infrastructure law that just passed. The funding from FTA can be used in both the Operations budget and Capital projects budgets. For FY23 the operating budget will be increased by \$2.4M and the remainder will go in to capital. Mr. Thompson went over the other subsidy revenue, such as San Diego Association of Governments (SANDAG) FasTrak revenue of \$8.5M and other state and local sources totaling \$1M.

Mr. Thompson went over the Operating Revenues. He mentioned the Passenger Levels did see a decline in January due to Omicron but did see a rebound in February to 67% of baseline and expect the growth to continue due to the high gas prices. Mr. Thompson

went over the potential impacts on the average fare and the historical trend. He mentioned that since PRONTO was implemented the fare revenue has dropped and that is mostly due to passengers not tapping on the trolley. Other potential impacts that can reduce the fare is the youth opportunity pass pilot and the transitional foster youth pilot program. Mr. Thompson mentioned a range of estimates for passenger revenue in FY23, Floor: could have growth of \$60M, with passenger levels at 64% of baseline; Steady Growth: continuation of what has been seen over the last 12 months, 80% of baseline with revenue growth of about \$70M; Fast Growth: 90% of baseline with about \$78M in revenue. The current forecast is \$70.4M, \$14.9M increase over last year and a 27% growth year over year. Mr. Thompson went over the other operating revenues, mentioning the Sycuan naming rights deal expires on 12/31/2022, which will reduce revenue. Mr. Thompson reviewed the Revenue Summary for FY23. Total Operating Revenue is increasing by 17.6%, total Subsidy Revenue is increasing by 9.7%, and Total Revenue is increasing by 11.5% to \$321.2M.

Mr. Thompson went over the FY23 Expenses. With regard to service levels, Bus-Fixed Route is 2.3% higher than the FY22 amended budget forecast, Paratransit is increasing significantly at 30% as demand for the service increases, and Rail is increasing by 11.5% with the first full year of the Mid-Coast extension. He went over the personnel expense assumptions, including 1,673 total MTS full Time Equivalents (FTEs) and proposing 4 additional positions, 3 with the security department and 1 in marketing. Wage increases are increasing by \$4.0M, 4.4%, which will include; 4.0% merit increases for management employees, 1.0% performance improvement program, and wage increases between 3.0% - 4.0% based on current negotiations with TEOA, IBEW, ATU and SMART. Fringe benefits are forecasted to increase by \$8.1M, 13.9%. This increase comes from the pension plans, increasing by \$2.0M, 7.1%, healthcare increases by \$1.9M, 16.9% and other is increasing by \$3.1M, 62.0%, which is mostly cost recovery due to Mid-Coast. Purchased transportation is projected to increase by 13.2%. This increase is due to increased service levels and contract rates increases. Transdev's fixed costs are increasing by 4.2% and increasing 7.4% in their variable rate. First Transit's fixed costs are increasing by 4.4%, Fi the ADA paratransit per hour rate is increasing by 3.1%, and the Minibus per mile rate is increasing by 5.6%. Outside services will have an increase of \$7.6M, 21.8%. The increase includes the first full year under the new security contract, increase of \$2.1M, 23.0%, repair & maintenance costs increasing by \$2.2M, 25.4%, and other outside services increasing \$3.1M, 20.2%. Mr. Thompson went over the Energy expense assumptions, which are increasing by \$1.4M, 3.4%. Other Expenses are projected to increase by \$1.3M, 4.6%. This includes Materials & Supplies increasing by \$140k, 1.0%, Risk Management costs are expected to increase by \$1.0M, 13.8%. This increase is primarily due to liability premium and property insurance increasing, and General & Administrative are projected to increase by \$142k, 2.7%. Mr. Thompson reviewed the Expense Summary for FY23, expenses are projected to increase by \$33.8M or 9.9% with a projected expense total of \$376.4M.

Mr. Thompson went over the Consolidated Revenues less Expenses. He stated that FY22 amended budget included a \$55.0M deficit and FY23 is currently projecting the same deficit amount. Mr. Thompson gave a breakdown of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARP) balance, which included a total apportionment of \$220.0M CARES and \$140.0M ARP, FY20 actual funds used of \$17.9M, FY21 actual funds used of \$72.1M, FY22 projected funds to be used of \$54.5 and FY23 projected funds to be used of \$55.2M, leaving a remaining balance of \$160.3.

Action Taken

Mr. Sandke moved to forward a recommendation to the MTS Board of Directors that the Budget Development Committee Receive this report regarding FY2023 operating budget development and provide guidance on budgetary issues:

- Steady growth Passenger Revenue assumption (\$70M target)

Mr. Fletcher second the motion and the vote was 5 to 0 in favor

5. Fiscal Year (FY) 2023 Capital Improvement Program (CIP) (Mike Thompson)

Mike Thompson Director of Financial Planning and Analysis gave an overview of the development of the FY23 CIP Guiding Principles and gave a PowerPoint presentation to discuss the proposed FY23 capital funding levels.

Mr. Thompson went over the 5-year unconstrained project list with a projected total need of \$994.0M. State of Good Repair needs total \$685M, including Bus and Rail Revenue Vehicles total of \$358.0M alone, \$115.3M in Facility and Construction Projects, \$175.5M in Rail Infrastructure, \$36.6 in Other Equipment & Installation. There was an additional need of \$309.2 in Major Initiatives.

Mr. Thompson mentioned the available FY23 funding for the Capital Program is \$107.6M of which \$34.1M are non-recurring funds. Mr. Thompson went over the proposed FY23 projects that will be funded and explained priority 1 projects are high priority, which includes safety and operational needs projects. In total, 40 projects will be funded totaling \$107.6M. Mr. Thompson went over the capital project categories and mentioned that the majority of the projects to fund new vehicles with a total of \$66.0M, Facility & Construction project funding totaled \$13.9M, Rail Infrastructure funding totaled \$11.8M, Other Equipment & Installation funding added to \$4.0M and Major Initiatives totaled \$11.5M. He mentioned a total of 89% of the funding is going to State of Good Repair (SGR) and 62% goes to funding vehicles.

Mr. Thompson went over the 5-year summary, with an unconstrained project list with a projected total need of \$994M and available funding of \$463M, resulting in a funding deficit of \$531M. The available funding covers 46.6% of total project needs, even the State of Good repair project need exceeds the available funding.

Action Taken

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

1. Approve the fiscal year 2023 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 FY23 CIP (shown in attachment A);
3. Recommend that the SANDAG Board of Directors approve amendment number 11 of the 2021 Regional Transportation Improvement Program (RTIP) in accordance with the FY23 CIP recommendations.

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

6. Next Meeting Date:
April 20, 2022

7. Adjournment
Ms. Moreno adjourned the meeting at 2:02pm

/s/ Vivian Moreno
Chair of the Budget Development Committee

/s/ Lucia Mansour
Clerk of the Budget Development Committee

Attachment: Roll Call Sheet

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BUDGET DEVELOPMENT COMMITTEE MEETING

ROLL CALL

MEETING OF (DATE): 3/24/2022 CALL TO ORDER (TIME): 1:02

ADJOURN: 2:02

| BOARD MEMBER | | (Alternate) | | PRESENT (TIME ARRIVED) | ABSENT (TIME LEFT) |
|-------------------|-------------------------------------|----------------|-------------------------------------|---------------------------|-----------------------|
| MORENO (Chair) | <input checked="" type="checkbox"/> | (no alternate) | <input type="checkbox"/> | 1:02 | 2:02 |
| FLETCHER | <input checked="" type="checkbox"/> | (no alternate) | <input type="checkbox"/> | 1:02 | 2:02 |
| GLORIA | <input type="checkbox"/> | (Whitburn) | <input checked="" type="checkbox"/> | 1:02 | 2:02 |
| SALAS | <input checked="" type="checkbox"/> | (no alternate) | <input type="checkbox"/> | 1:02 | 2:02 |
| SANDKE | <input checked="" type="checkbox"/> | (no alternate) | <input type="checkbox"/> | 1:02 | 2:02 |

COMMITTEE CLERK: Lucia Mansour

Digitally signed by Lucia Mansour
DN: cn=Lucia Mansour, o=Finance,
email=Lucia.Mansour@sdmts.com, c=US
Date: 2022.04.11 11:10:09 -0700