

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

04/20/2022

MINUTES

1. ROLL CALL

Ms. Moreno called the Budget Development Committee (BDC) meeting to order at 12:30pm. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Sandke moved to approve the minutes of the March 24, 2022 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. 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 development and presented a PowerPoint explaining the Revenue Assumptions and Expense Assumptions for FY23.

Mr. Thompson gave a passenger revenue update for March. He mentioned that we are right at budget for the month of March. He mentioned revenue came in at \$5.4M with it being the first month that passenger revenue is at over \$5M since the start of the pandemic.

Mr. Thompson mentioned there is only one change to the FY23 Operating Budget, which is increasing FasTrak revenue from \$4.5M to \$5.5M and are currently working with the San Diego Association of Governments (SANDAG) on the update of the Memorandum of Understanding (MOU). Mr. Thompson gave a recap of the operating budget highlights, which include; steady passenger revenue growth, strong sales tax revenue growth, increases to service levels are expected, and the structural deficit reduced by \$18M, from \$55M in FY22 to \$37M in FY23. Mr. Thompson went over the Revenue Summary for FY23. Total Operating Revenue is increasing by \$13.2M, 16.8%, total Subsidy Revenue is increasing \$40.6M, 19.5%, and Total Revenue is increasing by \$52.9M, 18.4% for FY23 over FY22.

Mr. Thompson reviewed the Expense Summary for FY23 which remains unchanged from the prior draft presented to the Board. As a recap, he reviewed the major drivers of expense increases, starting with Personnel and Purchased Transportation increasing primarily due to higher service levels expected in FY23. He mentioned outside services are increasing by \$8.7M, 24.7%, primarily due to Pronto Operations and Maintenance costs, plus rehabilitation projects within Bus and Rail Operations. Energy assumptions remain unchanged, but staff did review the latest published data to make sure the overall commodity assumptions are not being over conservative. Overall total expenses are increasing by \$35.7M, 10.4% for FY23.

Mr. Thompson went over the Consolidated Revenues less Expenses for FY23. He stated that Total Revenues are increasing by \$53.8M, 18.7% and Total Expenses are increasing by \$35.7M, 10.4%, resulting in a Net Operating Deficit of \$37.7M, an improvement from FY22 of \$18.1M, 32.7%. Mr. Thompson mentioned the deficit will be balanced with federal stimulus funding.

Mr. Thompson went over the Contingency Reserve Balance. He mentioned the Board policy sets the contingency reserve balance at 12.5% of the Operating Expense Budget. Based on the increased expenses for FY23 versus FY22 the new reserve target is \$41.8M for next fiscal year. Mr. Thompson mentioned that MTS is not expected to utilize any reserves in the FY22 or FY23 budget, and with a current reserve balance of \$39.4M are projected to be under the reserve target at 11.8%. He explained that we are expecting FY22 to be favorable to budget and those proceeds will help to improve our reserve total closer to the target.

Mr. Thompson went over the 5-year Operating Budget projections. Mr. Thompson mentioned the assumption for passenger revenue is to be back at the Pre-COVID Baseline by FY25 and have a more normal historical growth after FY25. He mentioned the other assumptions for the 5-year projection include the same service levels as FY23 and cost inflation. Mr. Thompson also mentioned that stimulus funding will continue to be used to balance the deficits over the five-year period. Mr. Thompson explained that higher inflation is being included in FY24 and FY25, due to the rising inflationary factors that we are currently experiencing. Mr. Thompson went over the 5-Year Projection Summary. Operating Revenues are growing as passenger levels are returning back to baseline, Subsidy Revenue continues to grow, but returns to normal growth levels of around 3% per year. He mentioned that expenses are growing slightly faster the first couple of years but with the passenger revenue growth, the deficit number is being reduced. Mr. Thompson went over the net operating deficit for the next 5 years, stating that in FY23 the deficit is at -\$37.3M and in FY24 and FY25 the deficit decreases. In FY26 and FY27 the deficit increases again slightly, with the projected deficit in FY27 being -\$20.8M.

Mr. Thompson reviewed the Capital Improvement Program (CIP) costs for the next 5 years. Mr. Thompson mentioned there is a total of \$994.2B in project needs over the next 5 years and only \$462.9M in revenue have been identified, leaving a deficit of \$531.3M in CIP.

#### Action Taken

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

1. Receive testimony, review and comment on the FY2023 MTS Operating Budget and a public hearing to be scheduled on May 12, 2022; and
  2. Enact Resolution No. 22-4 (in substantially the same format as Attachment B) adopting the FY2023 operating budget for MTS, San Diego Transit Corporation (SDTC), San Diego Trolley (SDTI) MTS Contract Services, and the Coronado Ferry.
6. Next Meeting Date:  
TBD
7. Adjournment  
Ms. Moreno adjourned the meeting at 12:52pm

/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): 04/20/2022 CALL TO ORDER (TIME): 12:30pm

ADJOURN: 12:52pm

BOARD MEMBER		(Alternate)		PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
MORENO (Chair)	<input checked="" type="checkbox"/>	(no alternate)	<input type="checkbox"/>	12:30pm	12:52pm
FLETCHER	<input checked="" type="checkbox"/>	(no alternate)	<input type="checkbox"/>	12:30pm	12:52pm
GLORIA	<input type="checkbox"/>	(Whitburn)	<input checked="" type="checkbox"/>	12:30pm	12:52pm
SALAS	<input checked="" type="checkbox"/>	(no alternate)	<input type="checkbox"/>	12:33pm	12:52pm
SANDKE	<input checked="" type="checkbox"/>	(no alternate)	<input type="checkbox"/>	12:30pm	12:52pm

COMMITTEE CLERK: Lucia Mansour

Digitally signed by Lucia Mansour  
DN: cn=Lucia Mansour, o=San Diego Metropolitan Transit System, c=US  
Date: 2022.04.21 10:33:36 -0700