

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BUDGET DEVELOPMENT COMMITTEE (BDC)

04/06/2023

[Clerk's note: Except where noted, public, staff and board member comments are paraphrased. The full comment can be heard by reviewing the recording at the [MTS website.](#)]

1. Roll Call

Ms. Moreno called the San Diego Metropolitan Transit System (MTS) Budget Development Committee (BDC) meeting to order at 10:56 a.m. A roll call sheet listing BDC member attendance is attached.

2. Public Comments

There were no Public Comments.

3. Approval of Minutes

Mr. Elo-Rivera moved to approve the minutes of the March 2, 2023, MTS BDC meeting. Mr. Goble seconded the motion, and the vote was 4 to 0 in favor with Mr. McCann absent.

DISCUSSION ITEMS

4. Report from California Transit Association (Michael Pimentel of California Association)

Item was moved to next BDC meeting of 04/27/2023

Action Taken

No action taken.

5. Fiscal Year (FY) 2024 Operating Budget Discussion (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis gave an overview of the FY 2024 Operating Budget Overview and presented a PowerPoint explaining the budget development process and the Revenue Assumptions and Expense Assumptions for FY24.

Mr. Thompson discussed the revenue assumption for sales tax revenues. He mentioned the TransNet Program region pool projection is \$430.0M as forecasted by the San Diego Association of Governments (SANDAG), that is a 1% growth for next year. Of this total pool, MTS will receive \$30.7M in new operations reimbursements/ maintenance of TransNet Projects (BRT Routes, SuperLoop, Mid-Coast), and a separate formula pool allocation for Transit System Improvements of \$47.5M. The Transportation Development Act (TDA) is also forecasted by SANDAG, as of February, they have projected a growth of 3.2% for FY24. The FY24 region pool projection is \$205.8M and MTS will receive \$135.5M. The \$135.5M will be shared between the Operating Budget and Capital Improvement Program (CIP); the FY24 projected share is \$92.9M for Operating Budget and \$42.7M for CIP. State Transit Assistance (STA) Revenue, has a fixed budget allocation for Operations totaling \$11.3M and the remainder will be allocated to the Capital budget.

Mr. Thompson went over Federal Revenues. He went over Federal Transit Administration (FTA) mentioning that the latest federal surface reauthorization was back in December 2021. He mentioned the revenue is expected to increase to \$108M. The funding can be used in both the Operations Budget and Capital Improvement Program. For FY24 the Operating Budget will be increased by \$3.4M and the remainder will go into capital. Mr. Thompson went over the other subsidy revenue, including the SANDAG FasTrak revenue of \$3.5M and other state and local sources totaling \$1M.

Mr. Thompson went over the Operating Revenues. Passenger fare revenue is projected to increase by \$8.0M, 11% in FY24. He also mentioned that February revenue came in almost exactly where it was expected to be and March revenue numbers will be included at the next BDC meeting before this assumption is finalized. Mr. Thompson went over Other Operating Revenues, which is increasing by \$800K, a large portion of that is in energy credits. Mr. Thompson added that MTS has a new supplier for Natural Gas which will result in MTS generating more credits starting in January of 2023 which will generate more revenue in 2024. Advertising revenues are decreasing \$500k, as the Sycuan naming rights deal expired in December 2022 which will reduce revenue. Mr. Thompson reviewed the Revenue Summary for FY23. Total Operating Revenue is increasing by \$8.9M, 9.6%, total Subsidy Revenue is increasing by \$1.8M, 0.7%, and Total Revenue is increasing by \$10.7M, 3.1%.

Mr. Thompson went over the FY24 Expenses. With regard to service levels, there was some discussion about not adding all of the fixed route service back that has been cut over the last year, however that service is built into this budget as the goal is to always put as much service on the street. He went over the personnel expense assumptions, including 1,699 total MTS Full Time Equivalents (FTEs) and proposing 5 additional positions, 5 Construction Safety Flagpersons and potentially 1 more IT addition to the budget. He mentioned that 77% of the employees are part of represented groups and those groups have collective bargaining agreements in place. Those wage increases range from 3.25% - 4.25% and the non-representative groups will increase 4.0% with a 1.0% performance improvement program. In total, wages are increasing \$5.3M, 5.5%. Fringe benefits are increasing by \$900K, 3%. Pension plan costs are increasing by \$2.0M but it is being offset by the Pension Obligation Bond principal payment decreasing by \$1.1M. On the healthcare side, the Calendar Year (CY) 2023 rates are in place and the budget assumes a 10% increase for CY24. There is a large increase in FY24 of \$4.1M, which is primarily due to savings in FY23 from the disbanding of the ATU and IBEW healthcare trust and moving those employees to regular healthcare programs. Other assumptions, including Workers Compensation costs are decreasing by \$1.1M.

Purchased transportation is projected to increase by \$13.9M, 15.3%. This is due to the planned service level increases both on the Fixed Route Bus side and ADA Paratransit side. TransDev's fixed costs are increasing by 3.4% and increasing 3.1% in their variable rate. First Transit's fixed costs are increasing by 4.1%, the ADA paratransit per hour rate is increasing by 2.1%, and the Minibus per mile rate is increasing by 4.6%.

Outside services will have an increase of \$6.3M, 15.4%. Security will increase by \$1.5M, 12.1% due to contract rate increases. Repair & maintenance costs are projected to increase by \$2.8M, 35.5%, and other outside services are expected to increase by \$2.0M, 10.0%.

Energy expense assumptions are decreasing by \$4.7M, -8.9%, despite the planned increases to service levels. The high cost of natural gas, which also impacts the electricity commodity costs, are expected to decrease the next fiscal year. But these markets are still being reviewed and will be brought back to the next BDC.

Other Expenses are projected to increase by \$1.6M, 4.9%. Risk Management costs are expected to increase by \$1.3M, 16.5%, and General & Administrative costs are projected to increase by \$511K, 8.1%. Mr. Thompson reviewed the Expense Summary for FY24, which includes projected increases of \$26.3M, 6.9% with a projected expense total of \$406.7M, which is partially due to the increased service levels planned for next year.

Mr. Thompson went over the Consolidated Revenues less Expenses. Revenue is projected to increase by \$10.7M, 3.1%, Expenses are projected to increase by \$26.3M, 6.9% with a total

deficit of \$52.8M. Mr. Thompson mentioned that there is stimulus funding to balance the deficit up to FY27. He went over the structural deficit and the different ways to tackle the structural the deficit in order to make the reserves last longer.

Strategy	How long will stimulus funding last
Not adding back all services in FY24	Stimulus funding will run out in FY27
Enforce fares on the Trolley	Stimulus funding will run out in FY27
Stretch Capital Dollars	Stimulus funding will run out in FY27
Not adding back all services Enforce Fares on the Trolley Stretch Capital Dollars	Stimulus funding could last in to FY29

Mr. Thompson went over the next steps for the budget, which include presenting the same overview to the MTS Board of Directors (Board) on April 20th. After that update, the operating budget will be finalized, staff will prepare full budget book for the proposed budget, present the draft to the BDC on April 27th and hold a public hearing at the Board meeting on May 18th.

Action Taken

Informational item only. No action taken.

6. Fiscal Year (FY) 2024 Capital Improvement Program (CIP) (Mike Thompson)

Mike Thompson Director of Financial Planning and Analysis gave an overview of the development of the FY24 CIP Guiding Principles and gave a PowerPoint presentation to discuss the proposed FY24 capital funding levels.

Mr. Thompson went over the 5-year unconstrained project list with a projected total need of \$1.1B. Bus Revenue Vehicles total \$300.9M, Rail Revenue Vehicles total \$84.7M, Facility & Construction Projects total \$73.4M, Rail Infrastructure totals \$203.5M, Other Equipment & Installation totals \$44.9M and Other Initiatives total \$416.3M.

Mr. Thompson mentioned the available FY24 funding for the Capital Program is \$174.6M of which \$42.8M are non-recurring funds. Mr. Thompson went over the proposed FY24 projects that will be funded (totaling \$174.6M): Bus Revenue Vehicles \$60.9M, Rail Revenue Vehicles, \$22.0M, Facility & Construction \$10.9M, Rail Infrastructure \$19.0M, Other Equipment & Installation \$5.6M and Other Initiatives \$56.1M. The CIP consists of a total of 63 projects totaling \$217.6M, and only 80% of those requests are able to be funded.

Mr. Thompson went over the 5-year summary, looking at the overall project need of \$1.1B, with the majority of it being in State of Good Repair (SGR). Available CIP Revenue totals \$735.7M, resulting in a funding deficit of \$388.0M, or 66% funded.

Mr. Thompson went over the challenges ahead with the significant shortfall in funding. He went over the how the projects are prioritized, with SGR always being the first priority, in order to keep the system safe and reliable, followed by ZEB infrastructure, and the Clean Transit Advancement Campus (CTAC).

Action Taken

Mr. Elo-Rivera moved to forward a recommendation to the MTS Board of Directors to:

1. Approve the fiscal year 2024 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 Chief Executive Officer (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 FY24 CIP (shown in attachment A):
3. Recommend that the SANDAG Board of Directors approve amendment number 3 of the 2023 Regional Transportation Improvement Program (RTIP) in accordance with the FY24 CIP recommendations.

Mr. Whitburn seconded the motion, and the vote was 4 to 0 in favor with Mr. McCann absent.

OTHER ITEMS

7. Next Meeting Date

The next Budget Development Committee meeting is scheduled for April 27, 2023, at 2:00 p.m.

8. Adjournment

Chair Moreno adjourned the meeting at 12:00 p.m.

/s/ Vivian Moreno

Chairperson
San Diego Metropolitan Transit System

/s/ Lucia Mansour

Committee Clerk
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet


SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BUDGET DEVELOPMENT COMMITTEE MEETING

ROLL CALL

MEETING OF (DATE): 04/06/2023 CALL TO ORDER (TIME): 10:56 a.m.

ADJOURN: 12:00 p.m.

BOARD MEMBER		(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
MORENO (Chair)	<input checked="" type="checkbox"/>	(no alternate) <input type="checkbox"/>	10:56 a.m.	12:00 p.m.
ELO-RIVERA	<input checked="" type="checkbox"/>	(no alternate) <input type="checkbox"/>	10:56 a.m.	12:00 p.m.
GOBLE	<input checked="" type="checkbox"/>	(no alternate) <input type="checkbox"/>	10:56 a.m.	12:00 p.m.
MCCANN	<input type="checkbox"/>	(no alternate) <input type="checkbox"/>	Absent	Absent
WHITBURN	<input checked="" type="checkbox"/>	(no alternate) <input type="checkbox"/>	10:56 a.m.	12:00 p.m.

COMMITTEE CLERK: Lucia I Mansour  Digitally signed by Lucia I Mansour
Date: 2023.04.06 14:14:29 -07'00'