

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

March 7, 2024

[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

Chair Moreno called the Budget Development Committee meeting to order at 9:50 a.m. A roll call sheet listing Budget Development Committee member attendance is attached.

2. Public Comments

There were no Public Comments.

3. Approval of Minutes

Board Member Whitburn moved to approve the minutes of the November 30, 2023, MTS Budget Development Committee meeting. Board Member Goble seconded the motion, and the vote was 3 to 0 in favor with Board Members McCann and Montgomery Steppe absent.

DISCUSSION ITEMS

4. Fiscal Year (FY) 2024 Operating Budget Midyear Amendment (Gordon Meyer)

Gordon Meyer, MTS Manager of Financial Planning and Analysis, presented on FY 2024 Operating Budget Midyear Amendment. He discussed the FY24 Operating Budget Development; Revenue Assumptions for Passenger Levels; Passenger Revenue; Other Revenue; Sales Tax Revenue; State Transit Assistance (STA): Senate Bill (SB) 125; and the overall Revenue Summary. Mr. Meyer discussed the FY24 Expense Assumptions for Personnel; Outside Services; Materials & Supplies; Risk Management; General & Administrative; Expenses Summary and Consolidated Revenues less Expenses. He also went over the Budget Development Calendar.

Public Comment

There were no Public Comments.

Board Comment

Board Member Goble commented on the STA reduction revenue of \$2.9M, he asked if staff thinks the revenue will be softened or restored. Mr. Meyers responded that the reduction of \$2.9M is the best assumption at this time and there is no expectation whether it will come in higher or lower as it seems there are a lot of decisions at the State level. Mr. Goble asked about the \$2.4M variance for Materials and Supplies. He asked if this is due to the industry and certain kinds of parts and services where there's just a few numbers of suppliers. He mentioned that the lack of competition sometimes drives the prices up. Mr. Meyer mentioned that the price increases are primarily inflation related, especially within bus operations, where operations staff found no significant

increase in parts usage, but rather saw increases in the price of parts, with some parts tripling or quadrupling in price., Mr. Goble asked any of the expenses are Federal Emergency Management Agency (FEMA) eligible. Mr. Meyer replied that anything flood related is being charged to a separate cost center that is not included in this budget as 100% cost recovery is expected through the combination of insurance and FEMA. Sharon Cooney, MTS Chief Executive Officer (CEO), mentioned that the FEMA funds are not guaranteed, and it could be 8 years before MTS sees the reimbursements. Mr. Goble mentioned that it would be good to add the FEMA topic to the legislative agenda so that it does not take 8 years to see FEMA relief funds. He also asked if staff knows what segment of ridership are choice riders versus non-choice riders. Ms. Cooney mentioned that pre-pandemic a passenger survey was performed which showed that at least 70% were transit dependent. She also mentioned that San Diego Association of Governments (SANDAG) is undergoing a new passenger survey which will allow MTS to have an updated percentage once the survey is completed.

Board Member Whitburn mentioned he is glad to see that more staff is being hired to provide increased service and making salaries more competitive, which is all a part of the increase in expenses. He also mentioned he is glad to see the structural deficit being balanced for several years and seeing passenger levels up 10% year over year. Mr. Whitburn asked what attributed to the lower levels of ridership. Ms. Cooney mentioned that not adding the services that were cut due to the driver shortage and the unprecedented rain in San Diego were some of the factors that resulted in lower levels of ridership.

Chair Moreno, thanked the staff for the presentation, mentioning that the good news is that the ridership and passenger revenue continue to improve, even if it is not at the level that was expected in the budget. Ms. Moreno asked if the STA funds are funds that the government can modify at any time or if it is based on diesel fuel coming in at a lower rate. Mike Thompson, MTS Director of Financial Planning and Analysis, explained that the modification of the funds is based on the diesel sales, but it is also subject to the legislative process. Ms. Cooney asked if the funds are calculated based on the pre-pandemic levels of ridership revenue or if they have been adjusted back to current. Mr. Thompson mentioned that he believes FY25 is the first year the calculations will be adjusted back to current and using the old formula. Ms. Moreno asked if there was any indication for the decrease of the \$2.9M. Mr. Thompson mentioned it was due to lower diesel prices. Mr. Moreno expressed that with the Governor's targeting for California becoming more green it appears that the \$39.4M will continue to decrease.

Action Taken

Board Member Whitburn moved that the BDC forward a recommendation that the San Diego Metropolitan Transit System (MTS) Board of Directors enact Resolution No. 24-01 (Attachment B) amending the FY 2024 operating budget for the MTS, San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), MTS Contract Services, and the Coronado Ferry. Board Member Goble seconded the motion, and the vote was 3 to 0 in favor with Board Members McCan and Montgomery Steppe absent.

5. Fiscal Year (FY) 2025 Capital Improvement Program (CIP) (Mike Thompson)

Mike Thompson, MTS Director of Financial Planning and Analysis, presented on FY 2025 CIP. Mr. Thompson reviewed the Capital Funding Levels Proposed FY25, and the Development of the FY25 CIP Guiding Principles. He went over the FY25-29 CIP Unconstrained Project List and the Capital Project Summary Proposed FY25. He went over the FY25 CIP Project Highlights, which include Bus Revenue Vehicles and Rail Revenue Vehicles. Mr. Thompson went over other FY25 CIP projects which include, Facility & Construction Projects; Rail Infrastructure Projects and Other Equipment & Installation Projects. He also went over the Five Year Forecast for State of Good Repair (SGR); Other Initiatives; and FY25 CIP Five Year Summary. Mr. Thompson went over the takeaways of the meeting, mentioning the challenges ahead in meeting unconstrained list of projects; agency objectives and funding to achieve SGR/new objectives.

Public Comment

There were no Public Comments.

Board Comment

Board Member Goble thanked the staff for the detailed presentation and for providing such detailed attachments on the agenda item. Mr. Goble asked if there are any American Rescue Plan Act (ARPA) funds at risk in any of the CIP projects. Mr. Thompson commented that all ARPA funds were used on the operating side, and it has all been drawn down.

Chair Moreno thanked the staff for the presentation. She commented on her visit to the South Bay Division and how impressive it is. She mentioned seeing that nine more of these stations are coming and the electrifying of the buses and the work that still needs to be done is more of a reason as to why the SB125 money should be left alone so that these projects can continue to be funded. Ms. Moreno asked for an update on Division 6. Mr. Thompson commented that it has been about \$80M funded and those funds are being used to purchase land; mentioning that two parcels of land have been purchased. He mentioned that now that MTS has the land, staff can be more aggressive on large Federal and competitive programs for additional grant funding for the project. Ms. Moreno asked how the CIP links up with the transit amenity policy. Mr. Thompson commented that there are projects included that Denis Desmond, Director of Planning & Scheduling alluded to in his previous presentation that are included in CIP. Ms. Moreno asked if there is an equity component to the decision of the CIP projects. Ms. Cooney commented that a Title XI analysis is performed. Mr. Desmond also added that there are no disproportionate burden or disparate impact to low-income or minority communities or disproportionate benefit to non-low income or non-minority communities.

Action Taken

Board Member Goble moved that the MTS BDC recommend that the Board of Directors

1. Approve the FY 2025 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 San Diego Association of Governments (SANDAG) Board of Directors approve the submittal of Federal Section 5307, 5337 and 5339 applications for the MTS FY 2025 CIP (shown in Attachment A):
3. Recommend that the SANDAG Board of Directors approve amendment number 12 of the 2023 Regional Transportation Improvement Program (RTIP) in accordance with the FY 2025 CIP Recommendations.

Board Member Whitburn seconded the motion, and the vote was 3 to 0 in favor with Board Members McCann and Montgomery Steppe absent.

OTHER ITEMS

6. Next Meeting Date

The next Budget Development Committee meeting is scheduled for March 27, 2024, at 9:00 a.m.

*Clerk's note: Subsequent to this meeting, the next Budget Development Committee meeting was scheduled for April 23, 2024, at 9:00 a.m.

7. Other Staff/Committee Member Communications and Business

There was no Committee Member Communications and Other Business discussion.

8. Adjournment

Chair Moreno adjourned the meeting at 11:02 a.m.

/s/ Vivan Moreno
Chairperson
San Diego Metropolitan Transit System

/s/ Lucia Mansour
Committee Clerk
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet