

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

March 30, 2017

MINUTES

1. ROLL CALL

Vice Chairman McClellan called the Budget Development Committee (BDC) meeting to order at 9:04 a.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Mathis moved to approve the minutes of the February 23, 2017 MTS BDC meeting. Mr. McClellan seconded the motion, and the vote was 3-0 in favor, with Mr. Minto and Mr. Roberts absent.

3. PUBLIC COMMENTS

There were no public comments.

4.a. Fiscal Year 2018 Operating Budget Discussion (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, gave the Committee a presentation on the Metropolitan Transit System (MTS) Fiscal Year (FY) 2018 Operating Budget Discussion. He explained that MTS uses a zero based budgeting process, so every line item of the budget must be approved. He stated that the revenue assumptions had been finalized. He said that MTS tries to maximize use of federal funding within the operating budget. Mr. Thompson stated that Transportation Development Act (TDA) and TransNet funding, MTS's largest sources of funding, were projected to grow for the 8th straight year. He said that for FY 2018, 2.5% growth was projected for TDA, and 3.3% growth was projected for TransNet. He said the target for State Transit Assistance (STA) in FY 2018 had been lowered to \$12.5 million, since STA funding was expected to continue to decline. Paul Jablonski, Chief Executive Officer, discussed a possible funding proposal at the state level. Mr. Thompson stated that the current projection for passenger level for FY 2018 is 1% growth, which would be approximately \$1 million increase in fare revenue. He summarized the FY 2018 operating budget revenue projections, which included a total revenue increase of \$1.7 million.

Mr. Thompson discussed the expense assumptions. He explained that personnel costs were increasing by \$5.4 million, or 4.3%, partially due to an increase of 30 Code Compliance Officers. He said purchased transportation expenses were increasing by \$1.1 million, or 1.5%, of which the fixed route contract with TransDev made up over 70% of the costs. Mr. Thompson said that MTS's largest energy expenses were in electricity, which were increasing by \$279 thousand, or 2.2%. He summarized the FY 2018 operating budget expense projections, with a total increase of \$7.7 million, or 2.8%.

Mr. Thompson said for the FY 2018 operating budget consolidated revenues less expenses, there was a \$6 million deficit. He explained the plan of action, which included shifting \$5 million from capital for FY 2018, refining the expense budgets, waiting before making drastic service cuts, projecting additional

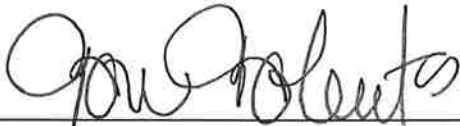
passenger revenue growth based on Transit Optimization Plan (TOP), and pursuing fare increases. Mr. Jablonski said MTS will continue to look closely at TOP results, as well as restructuring fares. Mr. Thompson stated that they expect to present a balanced draft budget at the next BDC meeting.

Action Taken

Mr. Mathis made the motion to accept the report and forward it to the MTS Board of Directors. Mr. McClellan seconded the motion, and the vote was 4-0 in favor, with Mr. Minto absent.

5. Adjournment

Chairman Roberts adjourned the meeting at 9:50 a.m.



Chairman of the Budget Development Committee



Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet