



1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490  
619.231.1466 FAX 619.234.3407

## Agenda

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

April 1, 2014  
9:00 a.m.

03-25-14P01:00 RCY

James R. Mills Building  
Executive Conference Room  
1255 Imperial Avenue, San Diego

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#### ACTION RECOMMENDED

1. ROLL CALL
2. APPROVAL OF MINUTES - March 4, 2014 Approve
3. PUBLIC COMMENTS
4. COMMITTEE DISCUSSION ITEMS
  - a. MTS: FY 2015 Preliminary Projections Receive  
Action would receive and provide direction on the report for FY 2015 budget development.
5. ADJOURNMENT

Please SILENCE electronics  
during the meeting



1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • [www.sdmts.com](http://www.sdmts.com)

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

BUDGET DEVELOPMENT COMMITTEE  
METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) April 1, 2014

CALL TO ORDER (TIME) 9:05 am

RECESS N/A

RECONVENE \_\_\_\_\_

CLOSED SESSION N/A

RECONVENE \_\_\_\_\_

ADJOURN 9:55 am

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
COLE	<input checked="" type="checkbox"/>	9:00 am	9:55 am
MATHIS	<input checked="" type="checkbox"/>	9:00 am	9:55 am
MCCLELLAN	<input checked="" type="checkbox"/>	9:10 am	9:55 am
MINTO	<input checked="" type="checkbox"/>	9:00 am	9:55 am
ROBERTS	<input checked="" type="checkbox"/>	9:08 am	9:55 am

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE: Julia Jansone

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: Karl Tard

cc: Clerk of the Board  
Accounts Payable  
Attachment to Original and Draft Minutes

MASTER - Budget Development Committee

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

March 4, 2014

MINUTES

1. ROLL CALL

Mr. Mathis called the Budget Development Committee (BDC) meeting to order at 9:05 a.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Minto moved to approve the minutes of the April 4, 2013 MTS BDC meeting. Mr. McClellan seconded the motion, and the vote was 3-0 in favor.

3. PUBLIC COMMENTS

There were no public comments.

4.a. MTS: Appointment of Committee Chairman and Vice Chairman

Mr. Mathis moved to nominate Mr. Roberts as Committee Chairman and Mr. Minto as Vice Chairman.

Action Taken

The vote for Mr. Roberts as Committee Chairman was 3-0 in favor with Mr. Roberts abstaining. The vote for Mr. Minto as Vice Chairman was 3-0 in favor with Mr. Minto abstaining.

4.b. Fiscal Year 2014 Capital Improvement Program (Mike Thompson)

Mr. Jablonski gave an overview of the Operating and Capital Budget background. He stated that BRT service will be added this summer and that there were no other service needs at this time. Mr. Jablonski also noted that FY14 would utilize no non-recurring funding. Mike Thompson, Director of Financial Planning and Analysis, gave the Committee a presentation on the MTS Fiscal Year 2015 Capital Improvement Program (CIP).

Mr. Thompson talked about the development of the FY15 Capital Improvement Program and the projects priority list along with the capital funding levels required for each project, with \$104,067,000 total funding available. He also provided a list of Capital Project Categories and assigned a level of funding and percentage of total funding assigned to each category. He reported that there are 55 projects needing funding through the CIP. He then discussed the projected revenues for the CIP for FY15 through FY19. Discussion ensued between the Committee members regarding current and future Capital Projects.

Action Taken

Mr. McClellan moved to forward the following recommendation to the MTS Board for Fiscal Year 2015 Capital Improvement Program: (1) approve the fiscal year 2015 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels. 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 Sections 5307 and 5337 applications for the MTS fiscal year 2015 CIP; (3) approve the transfer of \$357,409 from previous CIP projects to the fiscal year 2015 CIP; (4) recommend that the SANDAG Board of Directors approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2015 CIP recommendations. Mr. Minto seconded the motion, and the vote was 4-0 in favor.

4.c. MTS: FY 2013 Midyear Adjustment

Mr. Thompson gave the Committee a report of the FY14 midyear budget adjustment and discussed the non-operating revenue and operating revenue. He explained that the passenger revenue remains favorable. Mr. Thompson discussed the FY14 midyear revenue summary and explained that the total revenue is increasing by \$2,400,000, or an increase of 1.0%. He explained the expense assumptions summary and stated overall total expenses are increasing by \$560,000 or an increase of 0.2%. Mr. Thompson stated that the total revenue less expenses is a \$1,800,000 favorable variance. He reviewed the reserve balance and explained that the projected balance on June 30, 2014 would be \$28,412,000. He also stated that the goal is to have a contingency reserve balance of 12.5% of operating expense budget by FY16.

Action Taken

Mr. Minto moved to forward a recommendation to the MTS Board of Directors to approve the Combined MTS FY2014 Midyear Budget Amendment, including using the excess revenues over expenses to increase contingency reserves. Mr. McClellan seconded the motion, and the vote was 4-0 in favor.

4.d. MTS: FY 2015 Operating Budget

Mr. Thompson discussed the FY2015 open items, including the I-15 BRT and Mid-City Rapid, Compass Card Back Office transition from SANDAG and the FY2015 budget timeline. Mr. Jablonski discussed the FY2015 open item regarding staffing. He stated that the management pension contribution for FY14 increased to 4% beginning January 1, 2014. He noted that there will be a total pension contribution increase of 8% with a 2% increase in FY15 and a 2% increase in FY16. Mr. Jablonski also discussed management salary grade increases tied to CPI and the management salary merit pool/performance incentive program.

5. Adjournment

Chairman Roberts adjourned the meeting at 10:05 a.m.

Budget Development Committee Meeting

March 6, 2013

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Chairman of the Budget Development Committee



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Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet

BUDGET DEVELOPMENT COMMITTEE  
METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) March 4, 2014

CALL TO ORDER (TIME) 9:05 am

RECESS N/A

RECONVENE \_\_\_\_\_

CLOSED SESSION N/A

RECONVENE \_\_\_\_\_

ADJOURN 10:05 am

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
COLE <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>	9:00 am	10:05 am
MCCLELLAN <input checked="" type="checkbox"/>	9:00 am	10:05 am
MINTO <input checked="" type="checkbox"/>	9:00 am	10:05 am
ROBERTS <input checked="" type="checkbox"/>	9:10 am	10:05 am

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE:

Julia Imione

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

Karen Carde

cc: Clerk of the Board  
Accounts Payable  
Attachment to Original and Draft Minutes

MASTER - Budget Development Committee



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## Agenda

Item No. 4a

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

April 1, 2014

#### SUBJECT:

MTS: FY 2015 PRELIMINARY PROJECTIONS

#### RECOMMENDATION:

That the Budget Development Committee receive a report regarding the preliminary projection for the fiscal year 2015 operating budget and provide guidance on budgetary closure.

#### Budget Impact

None at this time.

#### DISCUSSION:

Staff will present a preliminary forecast for the upcoming fiscal year 2015 operating budget, including preliminary income projections and high level expense assumptions.

A handwritten signature in black ink, appearing to read 'Paul C. Jablonski', is written over a horizontal line.

Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Mike Thompson, 619.557.4557, [mike.thompson@sdmts.com](mailto:mike.thompson@sdmts.com)



# Metropolitan Transit System FY15 Operating Budget Assumptions

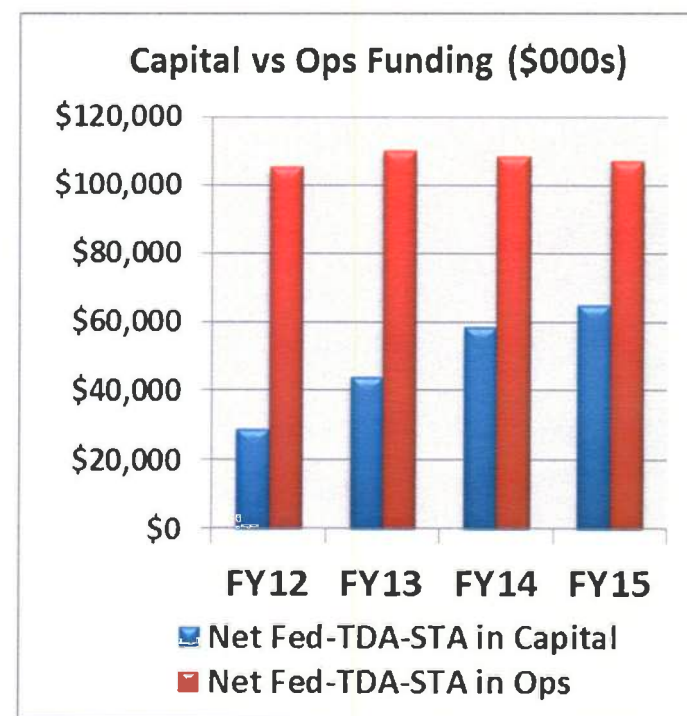
MTS Board of Directors  
Budget Development Committee  
April 1, 2014





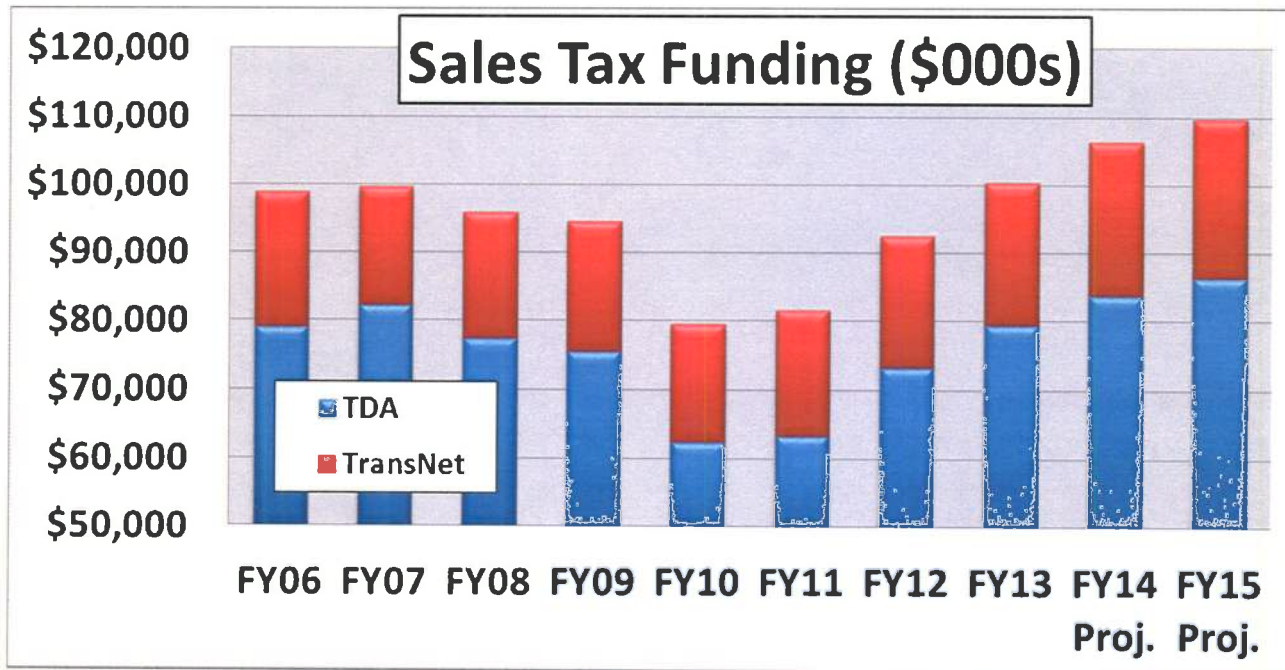
# Fiscal Year 2015 Budget Revenue Assumptions - Subsidy

- Federal
  - MAP-21 authorized through Federal FY 2014
  - JARC funding changed with MAP-21 last year
    - Used to be distributed to MPOs and MPO awarded funds
    - Now included within 5307 allocation
    - Still spending prior awards into FY15
    - No new funding
    - Reduction of \$600K
  - Preventive Maintenance
    - Capped at FY07 levels: \$23.2M
      - Maximize use of Federal for PM
      - Backfill amount over \$23.2M with TDA
    - Subsidy growth going to Capital
    - Operations subsidy is decreasing



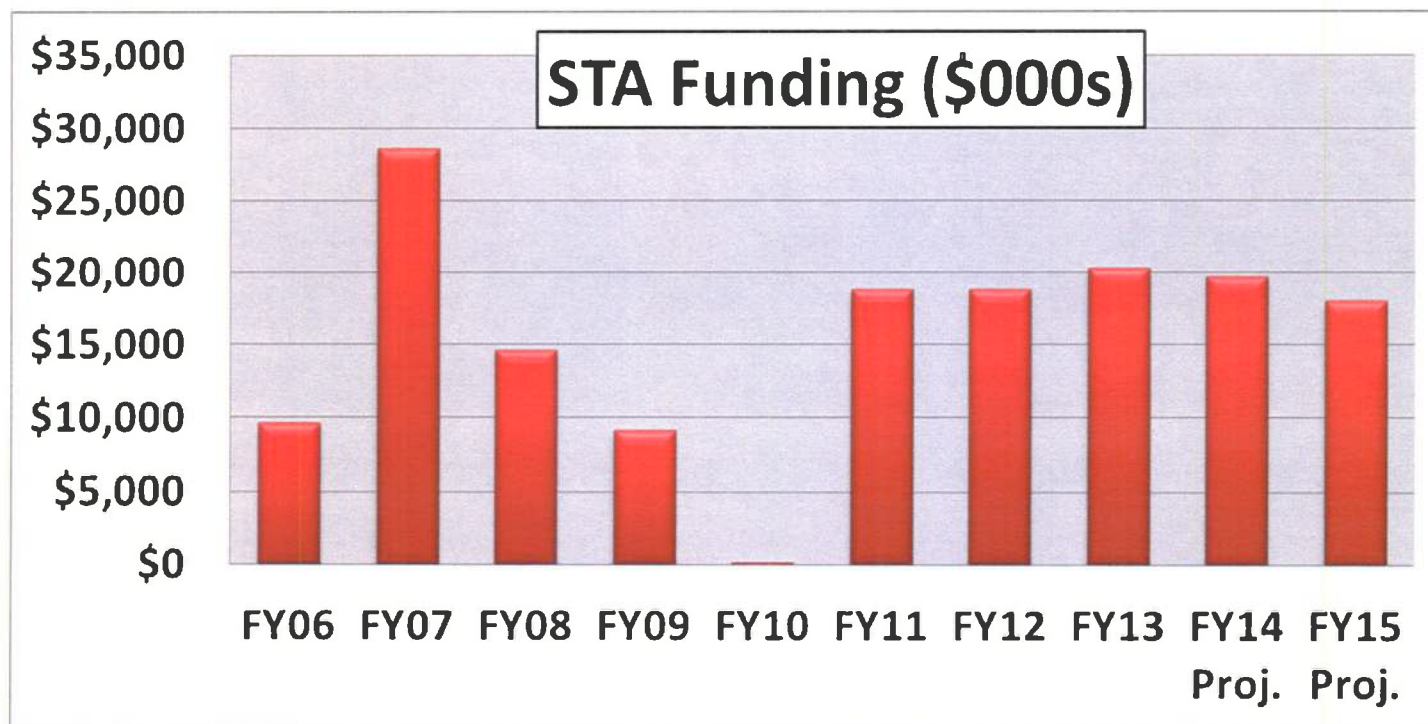
# Fiscal Year 2015 Budget Revenue Assumptions - Subsidy

- TDA and TransNet
  - Sales tax generated, projected by SANDAG
  - FY14 Projected: 5% growth
    - Through Q3 6.1% YTD
  - FY15: 4% growth, \$3.9M increase



# Fiscal Year 2015 Budget Revenue Assumptions - Subsidy

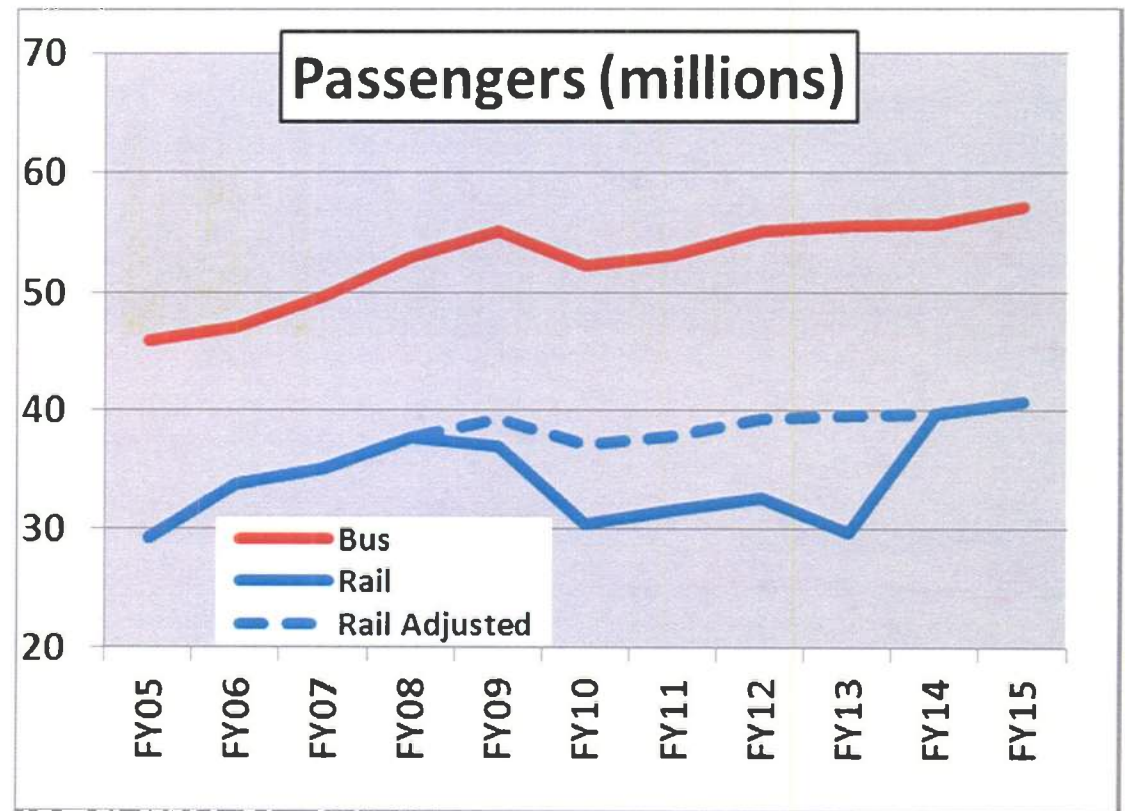
- State Transit Assistance
  - Projected by State Controllers Office
  - FY14: \$19.7M - \$15.5M in Capital, \$4.2M in Operations
  - FY15: \$18.0M - \$14.4M in Capital, \$3.6M in Operations





# Fiscal Year 2015 Budget Revenue Assumptions - Passenger Levels

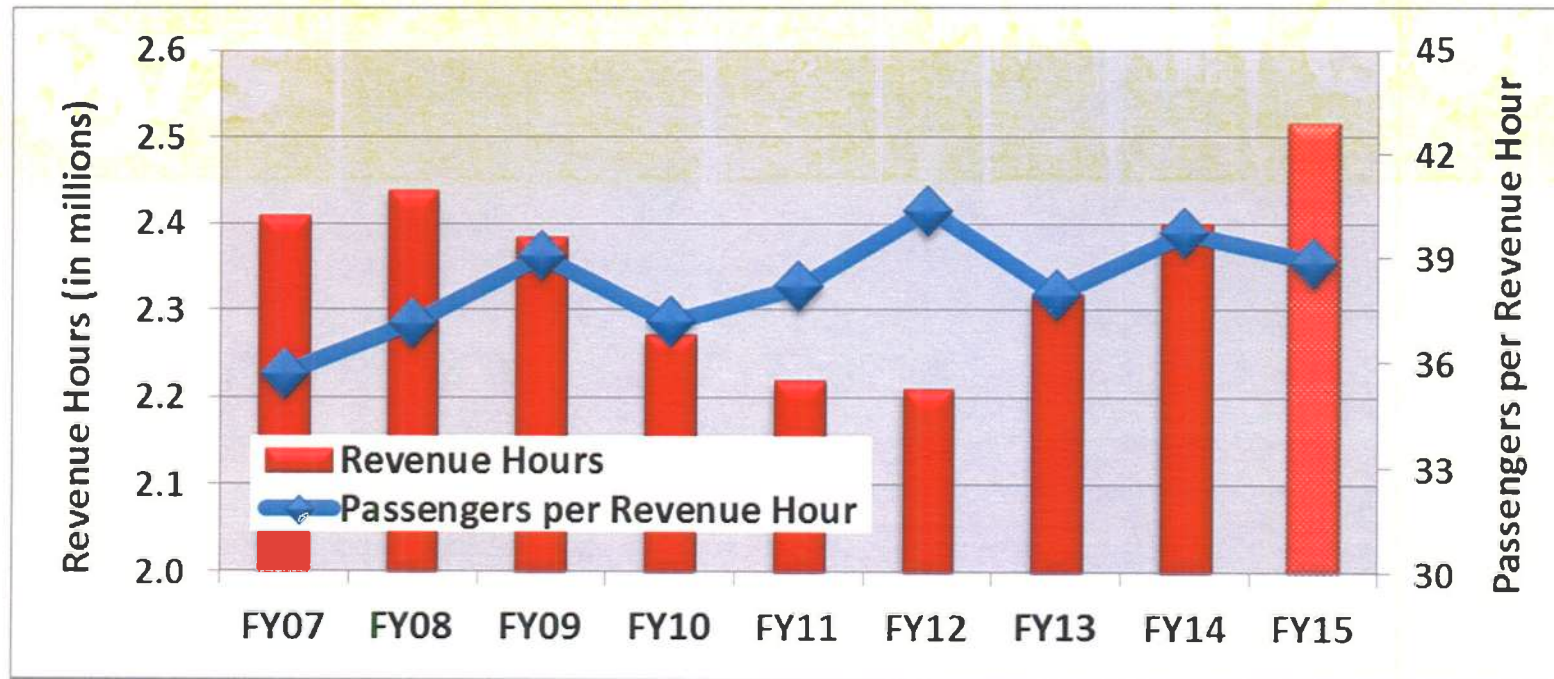
- Ridership spike in FY14 due to Automatic Passenger Counters on Trolley's
  - Trend lines between Bus and Rail diverge in FY09 when Day Pass was introduced
  - Adjusted FY09-13 Trolley ridership to match the year over year change on the Bus side
  - Eliminates the spike between FY13 and FY14
- Average growth in passengers over last 10 years was 2.4% annually
- Bureau of Labor Statistics projects 1.9% growth in jobs
- Currently assuming 2.5% growth in passengers
- Projecting no change to the fare structure



# Fiscal Year 2015 Budget Assumptions - Service Levels

- Service Levels

- Adding BRT Service - 123,000 revenue hours in FY15
  - I-15 BRT begins in June
  - Mid-City BRT projected to begin in September
- ADA Paratransit service projected to grow by 6.5%



# Fiscal Year 2015 Projection Expense Assumptions - BRT

- BRT service will be operated out of Kearny Mesa Division
  - KMD will now operate on Saturday and Sunday
  - 47 new articulated buses added to the fleet
  - BRT staffing needs
    - Net add of 11 Operators
    - Maintenance
      - 7 Mechanics
      - 4 Servicepersons
    - Support staff
      - Operations supervisor
      - Dispatch clerk
      - Foreman
      - Radio Communications Supervisor
      - Field Operations Supervisor
      - Storeroom clerk
      - 2 Part-time Trainers (added in FY14 Amended budget to staff up)
  - Net subsidy cost will be funded by TransNet



# Fiscal Year 2015 Budget Expense Assumptions - Pension

- Pension reform
  - Plan contribution rates continue to increase
    - San Diego Transit Pension plan rate increasing by 8.4%
      - Actuary projects contribution cost to peak in FY15
    - Management
      - Original CalPers plan rate increasing by 4.9%
      - PEPRA CalPers plan rate remains the same
    - San Diego Trolley CalPers plan rate increasing by 0.7%
  - Employee contributions also continue to increase

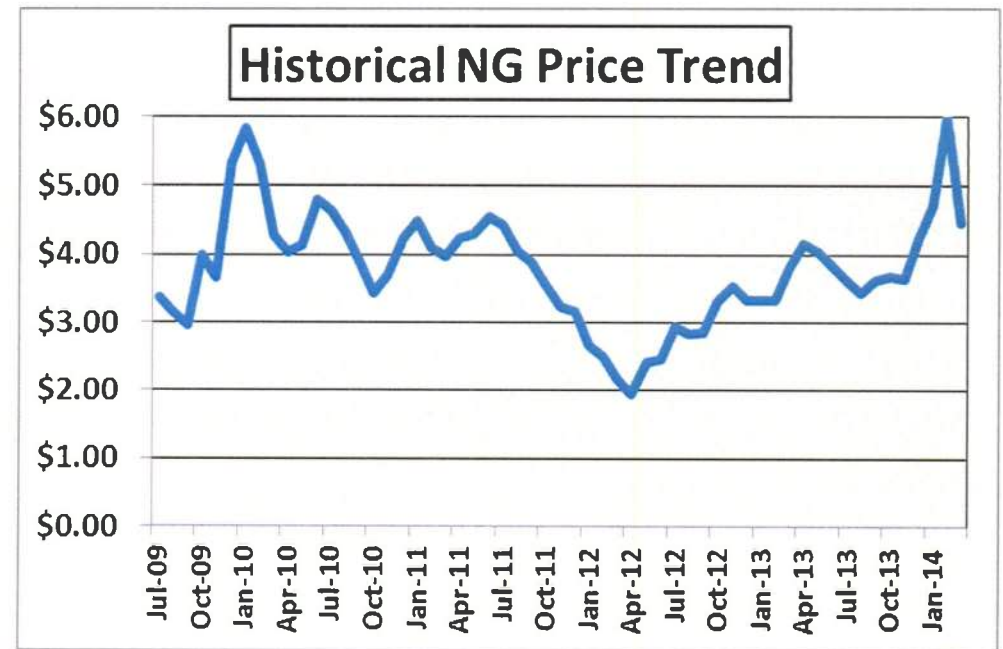
	FY13	FY14	FY15	FY16
Management	2%	4%	6%	8%
Mgmt-PEPRA		6%	6%	6%
ATU	2%	3%	5%	7%
IBEW - Bus	3%	3%	4%	6%
IBEW - Rail	7%	7%	7%	7%
TEOA	7%	7%	7%	7%





# Fiscal Year 2015 Budget Expense Assumptions - Energy

- Natural Gas (NG)
  - Impacts both Compressed Natural Gas and Electricity/Traction Power
  - FY15 forecasted NG commodity average price: \$4.30
    - Rate assumption used in FY15 projection, not fixed at this time
    - 2.5% increase over FY14 Amended budget levels
  - FY14 year-to-date average price: \$4.12
  - FY13 average price: \$3.45
  - Historically cold winter
    - Lowest storage levels since 2003
  - Current spot prices
    - February - \$5.20
    - March - \$5.30
    - April - June back to the \$4.40 range
  - Fix rate for FY15?
    - One year = \$4.83
    - Two year = \$4.69





# Fiscal Year 2015 Projection Expense Assumptions - Energy

- Electricity
  - Traction power and facility electric
  - Three components
    - Transmission/demand - SDG&E
      - New rate schedule in September, 14% increase in FY14
    - Commodity rate - Noble Americas current service provider
      - CY13 - Estimated \$960K savings versus staying with SDG&E
    - Usage - New cars use more electricity

	FY13	FY14	FY15	Var.
<b><u>Rate</u></b>				
SDG&E	0.092	0.105	0.109	4.1%
Noble	0.065	0.071	0.073	2.5%
Total per kWh	0.156	0.176	0.182	3.5%
kWh	54,025,559	55,755,806	57,986,038	4.0%
Cost	\$ 8,410,000	\$ 9,820,000	\$ 10,570,000	7.6%



# Fiscal Year 2015 Budget Expense Assumptions - Purchased Transportation

- Fixed Route Contract - Veolia
  - Operate South Bay and East County Divisions
  - Contract expires June 2015
- ADA Paratransit Contract - First Transit
  - Operates out of the Copley Park Division
  - Base contract expires June 2015, 4 option years
- Minibus Contract - First Transit
  - Operates out of the Copley Park Division
  - Base contract expires June 2016, 5 option years

Service	Cost per revenue	Miles/ Hours	FY14 Rate	FY15 Rate	Change
Fixed Route	Mile	9.2M	\$ 4.86	\$ 4.99	2.8%
ADA Paratransit	Hour	205K	47.80	49.09	2.7%
Minibus	Hour	93K	36.55	37.76	3.3%



# Fiscal Year 2015 Preliminary Projection (\$000s)

	FY 2014 Amended	FY 2015 Projected	Var.	Var. %
Operating Revenues	\$ 104,885	\$ 107,364	\$ 2,479	2.4%
Subsidy Revenues	145,482	153,556	8,074	5.6%
Reserve Revenues	213	20	(193)	-90.6%
<b>Total Revenues</b>	<b>\$ 250,579</b>	<b>\$ 260,941</b>	<b>\$ 10,361</b>	<b>4.1%</b>
<b>Total Expenses</b>	<b>248,756</b>	<b>262,902</b>	<b>(14,147)</b>	<b>-5.7%</b>
<b>Total Revenues Less Expenses</b>	<b>\$ 1,824</b>	<b>\$ (1,962)</b>	<b>\$ (3,785)</b>	<b>-</b>

- Subsidy Revenue includes estimate of \$8.8M of TransNet for BRT
- Expense growth without BRT is 2.9%



# Fiscal Year 2015 BDC Direction

- Preventive Maintenance/JARC
  - Adjust \$23.2M PM cap to allow more operating assistance
- Biogas Energy Credits
  - Estimate of \$1M for FY14 and \$2M for FY15
  - Not included in this projection nor in FY15 CIP
  - Market value of credits appears volatile
- Reserves to 12.5% by FY16
  - Expense growth increases 12.5% target to \$32.7M
  - \$28.4M projected, \$4.3M short with 2 years to go
  - Staff recommends programming \$2-3 million towards goal



## Metropolitan Transit System Fiscal Year 2015 Budget Timeline

<u>Date</u>	<u>Meeting</u>
4/1/2014	Budget Development Committee
4/17/2014	<b>*** NO Finance Workshop ***</b>
5/1/2014	Budget Development Committee
5/15/2014	Finance Workshop
6/19/2014	Public Hearing

