

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

April 25, 2016

MINUTES

1. ROLL CALL

Mr. McClellan called the Budget Development Committee (BDC) meeting to order at 2:10 p.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. McClellan moved to approve the minutes of the March 3, 2016 MTS BDC meeting. Chairman Roberts seconded the motion, and the vote was 3-0 in favor, with Mr. Minto and Ms. Cole absent.

3. PUBLIC COMMENTS

There were no public comments.

4.a. Appointment of Committee Chairman and Vice Chairman

The appointment of Committee Chairman and Vice Chairman was deferred to the next meeting.

4 b. SDTC Retirement Plan Experience Study (Bob McCrory and Ann Harper)

Mr. McCrory from Cheiron presented on the San Diego Transit Corporation (SDTC) Retirement Experience Study. He explained that one of the key findings was that mortality in the United States has improved faster than expected and people are living longer. He stated that there are generational mortality improvements; people who are 65 years old now are not expected to live as long as people who turn 65 in ten years. Mr. McCrory said that future expectations for investment returns are lower.

Ms. Harper from Cheiron stated that the experience study is performed every four to five years. She said that Cheiron is considering lowering the assumed rate of return on investments from 7.5% to 7%. She gave an overview of the mortality assumption, and recommended updating the base tables as well as applying the most recent generational mortality improvement scales to the base tables. She then summarized the economic assumptions, which are based on inflation. She recommended reducing the inflation assumption from 3% to 2.75%. She emphasized that the most powerful single assumption is that the higher expected return is, the lower expected contributions will be, and vice versa. Ms. Harper summarized the other assumptions and recommendations.

Action Taken

Mr. McClellan moved to forward the following recommendation to the MTS Board of Directors: (1) adopt the Actuarial Experience Study of the SDTC's retirement plan; (2) approve the revised actuarial assumptions; and (3) direct staff to incorporate the revised contribution amount in the fiscal year 2017

(FY17) operating budget. Chairman Roberts seconded the motion, and the vote was 3-0 in favor, with Mr. Minto and Ms. Cole absent.

4 c. MTS: FY 2017 Proposed Operating Budget (Mike Thompson)

Mr. Thompson gave the Committee a report on the FY17 operating budget assumptions. He discussed the subsidy revenue assumptions on the Federal side and stated that the funding from Fixing America's Surface Transportation (FAST) is projected to increase 1.5% for federal FY17. He also explained that MTS maximizes use of federal dollars for preventive maintenance for cash flow, and proposed an increase for federal revenue in operating budget of \$4 million.

Mr. Thompson discussed the projected growth of regional sales tax receipts, resulting in additional formula TransNet and Transportation Development Act (TDA) revenues for MTS. He stated that the FY16 projection was reduced from 5.0% to 3.5% growth. He explained that the State Transit Assistance, on the other hand, has been declining over the last four years but FY17's funding should be relatively similar to FY16's.

Mr. Thompson discussed the passenger level revenue assumptions, stating that bus ridership has been declining and attributed it to the declining gas prices. He stated that FY16 ridership was adjusted down at midyear. Mr. Thompson said there is no projected growth in passengers for FY17, no change to the fare structure, which results in no passenger revenue growth.

Ms. Cooney added that besides the low gas prices, other factors are being analyzed as well for their effects on ridership. She explained that two possible factors are that the disability bus fares have been enforced more strictly than in the past, and that cash sales at the border have been continuously declining, both of which are being investigated.

Mr. Thompson summarized the expense assumptions, including personnel costs, which will be increasing by \$6.8 million. He discussed the pension plan costs, which will be increasing by \$2.9 million. He noted that the CalPERS pension plan costs will be increasing by \$208,000 and that the CalPERS plan will be undergoing an experience study in the near future similar to the experience study done for the San Diego Transit plan. Mr. Thompson highlighted a few of the projects in the operating budget, including the LRV Overhaul Project, track rail grinding, rail and paratransit facility projects, and new outreach campaigns.

Mr. Thompson reviewed the FY17 consolidated revenue less expenses. He stated that total revenues proposed for FY17 are \$276 million, a 2.4% variance to the FY16 amended budget, offset by \$276 million in expenses, resulting in a draft balance budget.

Mr. Thompson explained the economy, state and local laws impacting operating expenses, energy costs and ADA paratransit service levels as ongoing concerns for the FY17 budget.

Action Taken

Mr. McClellan moved to forward the following recommendation to the MTS Board of Directors: (1) Receive the report on the proposed combined MTS fiscal year 2017 operating budget; and (2) forward a recommendation to the Board of Directors to recommend staff hold a public hearing on May 12, 2016

with the purpose of reviewing the proposed combined MTS fiscal year 2017 operating budget. Mr. Mathis seconded the motion, and the vote was 3-0 in favor, with Mr. Minto and Ms. Cole absent.

5. Adjournment

Chairman Roberts adjourned the meeting at 3:15 p.m.

A handwritten signature in cursive script, appearing to read "Mr. Roberts", written over a horizontal line.

Chairman of the Budget Development Committee

A handwritten signature in cursive script, appearing to read "Chris Chen", written over a horizontal line.

Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet

BUDGET DEVELOPMENT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) 4/25/16

CALL TO ORDER (TIME) 2:10 PM

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 3:15 PM

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
COLE <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>	2:10	3:15
McCLELLAN <input checked="" type="checkbox"/>	2:10	3:15
MINTO <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/>	2:10	3:15

SIGNED BY THE CLERK OF THE BUDGET DEVELOPMENT COMMITTEE: 

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: 

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