

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

May 2, 2017

MINUTES

1. ROLL CALL

Chairman Roberts called the Budget Development Committee (BDC) meeting to order at 3:03 p.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Minto moved to approve the minutes of the March 30, 2017 MTS BDC meeting. Mr. Mathis seconded the motion, and the vote was 5-0 in favor, with no one absent.

3. PUBLIC COMMENTS

There were no public comments.

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

Paul Jablonski, Chief Financial Officer, announced that there would be a lot to discuss at today's meetings, and that there were several options to consider. Mike Thompson, Director of Financial Planning and Analysis, gave the Committee a presentation on the Metropolitan Transit System (MTS) Fiscal Year (FY) 2018 Proposed Operating Budget. He discussed the final adjustments to the FY 2018 operating budget, which included reduced personnel expenses by \$420,000, reduced energy costs by \$250,000, and incorporated \$5 million of Transportation Development Act (TDA) as one-time funding to revenues. Mr. Thompson said that the proposed FY 2018 revenue projection included \$110 million in total operating income, \$162 million in total subsidy, and \$278 million in total revenue. He explained that the expense side included total expenses of \$278 million, with a -2.5% variance for the FY 2018 operating budget expense projection. He stated that the budget was balanced at \$278 million.

Mr. Thompson discussed the FY 2018 operating budget contingency reserves. He said that the Board of Directors policy set the target for the contingency reserve balance at 12.5% of the operating budget expense, and that the FY 2018 target was \$34.4 million.

Mr. Thompson then discussed the operating budget trends over the past 5 years. He said that the average annual growth over the 5 years were: 1.2% for operating revenues, 5.3% for subsidy revenues, and 4.3% for operating expenses. He stated that service levels grew too. Mr. Thompson compared the look back versus the look forward for a 5 year projection. He said that strong subsidy revenue growth was expected to grow, operating revenue has shown limited growth, and that general inflation was expected to be higher.

Mr. Thompson explained that the Senate Bill 1 (SB1) proposed funding increases to State Transit Assistance (STA). He said that the pool was projected to be \$250 million per year, and MTS's share

would be \$12.2 million per year. He said that a partial year implementation was projected for FY 2018, which was an estimated \$6.1 million. He said that SB1 establishes a new "Transportation Improvement Fee" under the Vehicle License Fee law, which would add \$105 million per year to the STA program, and MTS's share would be about \$5.1 million for FY 2019 Capital Improvement Program (CIP).

Mr. Thompson spoke about the FY 2018 operating budget guiding principles, options, and concerns. He said that the goals included: have a sustainable system, provide customer-focused, competitive, integrated, and sustainable service, fund capital and state of good repair needs appropriately, and pursue other revenue opportunities whenever possible. He stated that the options for the operating budget were to balance the structural deficit in the operating budget with SB1 money (not recommended), or add service based on the Transit Optimization Plan, and consider fare increases to balance the remainder of one-time funding (staff recommendation). He explained that the on-going concerns included passenger levels, the fare study, federal transit revenues, the economy, energy/commodity prices, and zero emission buses.

Action Taken

Ms. Zapf moved to forward the following recommendation to the MTS Board of Directors: recommend staff to hold a public hearing on May 11, 2017 with the purpose of reviewing the proposed combined MTS fiscal year 2018 operating budget. Mr. Minto seconded the motion, and the vote was 5-0 in favor.

5. Adjournment

Chairman Roberts adjourned the meeting at 3:57 p.m.



Chairman of the Budget Development Committee



Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet