

DRAFT

JOINT MEETING OF THE BUDGET DEVELOPMENT COMMITTEE FOR THE  
METROPOLITAN TRANSIT SYSTEM (MTS)  
1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101

March 6, 2013

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 November 14, 2012, MTS BDC meeting. Mr. McClellan seconded the motion, and the vote was 5 to 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 Ron Roberts as Committee Chairman and Bob McClellan as Vice Chairman.

Action Taken

The vote for Ron Roberts as Committee Chairman was 4-0 in favor with Mr. Roberts abstaining. The vote for Bob McClellan as Vice Chairman was 4-0 in favor with Mr. McClellan abstaining.

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

Mike Thompson, Budget Manager, gave the Committee a presentation on the MTS Fiscal Year 2014 Capital Improvement Program (CIP). He talked about the Operating and Capital Budget background for Federal Revenue. He explained that there is a new reauthorization of surface transportation programs called Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21). Mr. Thompson also discussed the Operating and Capital Budget background for Sales Tax Revenues, State Transit Assistance, Service Levels, SDTC Pension Rates and SDTC Pension Bonds.

Mr. Thompson talked about the development of the FY14 Capital Improvement Program and the projects priority list along with the capital funding levels required for each project, with \$62,582,000 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 41 projects needing funding through the CIP. He then discussed the projected revenues for the CIP for FY14 through FY18.

Action Taken

Mr. McClellan moved to forward the following recommendation to the MTS Board for Fiscal Year 2014 Capital Improvement Program: (1) approve the fiscal year 2014 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, 5337, and 5339 applications of the MTS fiscal year 2014 CIP; (3) approve the transfer of \$1,300,139 from previous CIP projects to the fiscal year 2014 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 2014 CIP recommendations. Mr. Minto seconded the motion, and the vote was 5 to 0 in favor.

4.c. MTS: FY 2013 Midyear Adjustment

Mr. Thompson gave the Committee a report of the FY13 midyear budget adjustment and discussed the non-operating revenue and operating revenue. He explained that the passenger revenue remains favorable, however there are mixed messages. Sharon Cooney discussed the old and new counting methods for trolley ridership. She explained that trolley revenue is up 1.7%, bus ridership is up 1.1%, but the APC data for November/December shows a 2.1% decrease in trolley ridership. Mr. Thompson discussed the FY13 midyear revenue summary and explained that the total revenue is increasing by \$9,951,000, or an increase of 4.1%. He explained the expense assumptions summary and stated overall total expenses are increasing by \$5,444,000 or an increase of 2.2%, however \$5M is due to the final payment on the Dexia variable pension debt, net of that payment the increase of expenses was just \$444K, or 0.2%. Mr. Thompson stated that the total revenue less expenses is a \$4,507,000 favorable variance. He reviewed the reserve balance and explained that the projected balance on June 30, 2013 would be \$24,946,000. He discussed the options for the \$4.5M from the total revenue less expenses.

Action Taken

Todd Gloria moved to forward a recommendation to the MTS Board of Directors to approve the Combined MTS FY2013 Midyear Budget Amendment, including using the excess revenues over expenses of \$4.5 million to initiate reserve for SD100 replacement. Mr. Minto seconded the motion, and the vote was 5-0 in favor.

Karen Landers stated that under the reserve policy, the unrestricted contingency reserve is 4% and was adopted in 2004.

4.d. MTS: FY 2014 Preliminary Projections

Mr. Thompson discussed the FY2014 preliminary projections. He first discussed projection key assumptions regarding operating revenue, subsidy revenue, and preliminary expense growth, including service levels, personnel, contract service rates and energy. Mr. Thompson reported the preliminary projection for FY2014 to be a surplus budget. He discussed the FY2014 open items, including the State

of California Budget, Federal sequestration risks, potential delay in receiving Federal funding due to 13c issue, CNG credits reinstated, and staffing. Mr. Thompson reviewed the FY2014 budget timeline.  
Action Taken

Mr. Minto moved to receive the report regarding the preliminary projection for the FY2014 operating budget. Mr. McClellan seconded the motion, and the vote was 5 to 0 in favor.

5. Adjournment

Chairman Roberts adjourned the meeting at 10:52 a.m.

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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) 3/6/2013

CALL TO ORDER (TIME) 9:05 am

RECESS N/A

RECONVENE N/A

CLOSED SESSION N/A

RECONVENE N/A

ADJOURN 10:52 am

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
GLORIA <input checked="" type="checkbox"/>	9:00 am	10:52 am
MATHIS <input checked="" type="checkbox"/>	9:00 am	10:52 am
MCCLELLAN <input checked="" type="checkbox"/>	9:00 am	10:52 am
MINTO <input checked="" type="checkbox"/>	9:00 am	10:52 am
ROBERTS <input checked="" type="checkbox"/>	9:00 am	10:52 am

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

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: Paul Corde

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

MASTER - Budget Development Committee



Metropolitan Transit System

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

## Agenda

## Item No. 4a

JOINT MEETING OF THE  
BUDGET DEVELOPMENT COMMITTEE  
for the  
Metropolitan Transit System,  
San Diego Transit Corporation, and  
San Diego Trolley, Inc.

FIN 310.1 (PC 50601)

April 4, 2013

### SUBJECT:

MTS: PROPOSED FISCAL YEAR 2014 OPERATING BUDGET

### RECOMMENDATION:

That the MTS Board of Directors:

1. Receive a report on the proposed combined MTS fiscal year 2014 operating budget; and
2. Recommend staff hold a public hearing on May 16, 2013 with the purpose of reviewing the proposed combined MTS fiscal year 2014 operating budget.

#### Budget Impact

None at this time.

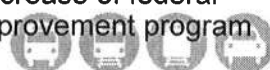
### DISCUSSION:

#### Fiscal Year 2014 Budget Recap

The following is a recap of the fiscal year 2014 budget process:

- In March, staff met with the Budget Development (BDC) and MTS Board. Within these two meetings, staff discussed and received approval of the fiscal year 2013 Midyear budget adjustment and discussed preliminary revenues and assumptions for fiscal year 2014, including Federal appropriations, Transportation Development Act (TDA), TransNet and State Transit Assistance (STA) revenues.

Federal appropriations changed due to the new Moving Ahead for Progress in the 21st Century (MAP-21) legislation, which reauthorizes surface transportation programs through fiscal year 2014. MAP-21 results in a net increase of federal revenues of \$10.1 million in fiscal year 2014 for the capital improvement program (CIP).



Regional sales tax receipts are projected to grow by 5.0% year over year for fiscal year 2012 and by an additional 5.0% in fiscal year 2014. In total, MTS's share of TransNet and TDA revenues are projected to increase by approximately \$4.9 million in fiscal year 2014.

In fiscal year 2013, MTS has received \$9.6 million of STA funding and projects to receive \$22.2 million. Staff projects MTS will receive an additional \$22.2 million for fiscal year 2014. This funding is primarily for the CIP, but a portion will be utilized in the operating budget to fund the service increases put into place during fiscal year 2013 at Board direction.

- In this meeting, staff will review a number of assumptions relating to: passenger levels, operating income, personnel assumptions, energy rates and other expense assumptions. Staff will also present a preliminary draft budget for fiscal year 2014.

#### Fiscal Year 2014 Operating Budget

The fiscal year 2014 total budgeted revenue is projected at \$247,884,000, and total projected expenses are budgeted at \$247,884,000 resulting in a balanced budget for fiscal year 2014.

#### Fiscal Year 2014 Revenues

Attachment A summarizes the total operating and non-operating revenues in a schedule format. As indicated within the schedule, fiscal year 2014 combined revenues total \$247.9 million, a decrease from the fiscal year 2013 amended budget of \$6.0 million (-2.4 percent).

Operating revenue totals \$101.4 million, an increase from the fiscal year 2013 amended budget of \$1.7 million (1.7 percent). This is primarily due to a projected increase in organic ridership as well as new service. Attachment B details the operating revenues by MTS Operator.

Subsidy revenue totals \$138.8 million, a decrease from the fiscal year 2013 amended budget of \$4.5 million (-3.1 percent). This is due to \$3.2 million decrease in Federal revenue, which is a funding shift from the CIP in fiscal year 2013 allowing MTS to draw the Federal funding in a more timely manner. STA revenues within operations are projected to decrease by \$2.6 million. These revenue decreases are partially offset by a \$1.4 million increase in TransNet revenues and a \$671,000 increase in TDA revenues. Attachment C details all non-operating revenues by funding source.

Other revenue totaled \$7.7 million, a decrease from the fiscal year 2013 amended budget of \$3.2 million (-29.3 percent). This is caused by contingency reserves in the fiscal year 2013 budget; there is no contingency reserve usage in the fiscal year 2014 budget.

#### Fiscal Year 2014 Expenses

Attachment E contains the total revenues as detailed above and the total proposed expenses for the 2014 fiscal year. As indicated within the schedule, fiscal year 2014 combined expenses total \$247.9 million, a decrease from the fiscal year 2013 amended budget of \$1.5 million (-0.6 percent). Attachment D contains the proposed service levels for fiscal year 2014, showing a 1.6 percent increase in revenue miles.

Within operating expenses, personnel expenses are projected to increase from the fiscal year 2013 amended budget by \$4.5 million (4.0 percent). This increase is due to increases in service, MTS pension contribution rates, health and welfare cost increases, as well as general wage increases.


Personnel expenses relating to the Dexia pension debt are expected to decrease by \$12.6 million as this debt was paid in full in fiscal year 2013.

Purchased transportation also is projected to increase from the fiscal year 2013 amended budget by \$2.3 million (4.1 percent) primarily due to contractual rate increases as well as the increased service levels.

Attachment F details the operating expense budgets for each operating division and administrative department in detail.

Attachment G details the energy rate assumptions for the 2014 fiscal year. Staff projects rates for CNG, gasoline, diesel, and electricity at \$0.81 per therm, \$3.40 per gallon, \$3.42 per gallon, and \$0.167 per kWh, respectively.

Adjusting for the added service and the Dexia pension debt payment in fiscal year 2013, expenses are increasing by \$8.4 million or 3.5 percent.

  
Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Mike Thompson, 619-557-4557, [mike.thompson@sdmts.com](mailto:mike.thompson@sdmts.com)

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- Attachments:
- A. Operating Revenue Summary
  - B. Operating Revenue
  - C. Non-Operating Revenue
  - D. Operating Statistics
  - E. Operating Budget – Consolidated
  - F. Total Operating Budget
  - G. Energy Impact on Operations

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATING BUDGET**  
**REVENUE SUMMARY**  
**FISCAL YEAR 2014**

AI No 4a: Attachment A

	<u>ACTUAL FY12</u>	<u>AMENDED BUDGET FY13</u>	<u>PROPOSED BUDGET FY14</u>	<u>\$ CHANGE BUDGET/ AMENDED</u>	<u>% CHANGE BUDGET/ AMENDED</u>
<b>Operating Revenue</b>					
Passenger Revenue	\$ 90,764,526	\$ 94,027,678	\$ 95,312,025	\$ 1,284,346	1.4%
Advertising Revenue	784,204	900,000	720,000	(180,000)	-20.0%
Contract Service Revenue	186,728	0	0	0	-
Other Income	4,458,862	4,812,704	5,370,360	557,656	11.6%
<b>Total Operating Revenue</b>	<u>\$ 96,194,320</u>	<u>\$ 99,740,382</u>	<u>\$ 101,402,385</u>	<u>\$ 1,662,002</u>	<u>1.7%</u>
<b>Subsidy Revenue</b>					
Federal Revenue	\$ 38,512,163	\$ 41,738,754	\$ 38,501,733	\$ (3,237,022)	-7.8%
Transportation Development Act (TDA)	65,341,898	67,740,993	68,411,903	670,910	1.0%
State Transit Assistance (STA)	1,697,468	5,023,765	2,399,003	(2,624,761)	-52.2%
State Revenue - Other	1,471,433	1,320,000	1,320,000	0	-
Transnet	22,390,054	24,853,634	26,248,289	1,394,655	5.6%
Other Local Subsidies	4,816,267	2,539,631	1,881,609	(658,022)	-25.9%
<b>Total Subsidy Revenue</b>	<u>\$ 134,229,283</u>	<u>\$ 143,216,777</u>	<u>\$ 138,762,538</u>	<u>\$ (4,454,240)</u>	<u>-3.1%</u>
<b>Other Revenue</b>					
Other Funds	\$ 7,514,290	\$ 7,571,926	\$ 7,566,990	\$ (4,936)	-0.1%
Reserves Revenue	31,846	3,342,498	152,587	(3,189,911)	-95.4%
<b>Total Other Revenues</b>	<u>\$ 7,546,136</u>	<u>\$ 10,914,424</u>	<u>\$ 7,719,577</u>	<u>\$ (3,194,847)</u>	<u>-29.3%</u>
<b>GRAND TOTAL REVENUES</b>	<u><u>\$ 237,969,740</u></u>	<u><u>\$ 253,871,583</u></u>	<u><u>\$ 247,884,499</u></u>	<u><u>\$ (5,987,084)</u></u>	<u><u>-2.4%</u></u>



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATING BUDGET**  
**OPERATING REVENUE**  
**FISCAL YEAR 2014**

AI No 4a: Attachment B

	<b>ACTUAL FY12</b>	<b>AMENDED BUDGET FY13</b>	<b>PROPOSED BUDGET FY14</b>	<b>\$ CHANGE BUDGET/ AMENDED</b>	<b>% CHANGE BUDGET/ AMENDED</b>
<b><u>Passenger Revenue</u></b>					
Internal Bus Operations	\$ 27,497,861	\$ 28,707,697	\$ 28,993,362	\$ 285,665	1.0%
Rail Operations - Base	35,216,068	36,294,351	36,773,378	479,027	1.3%
MCS - Fixed route	23,689,188	24,277,253	24,635,673	358,421	1.5%
MCS - Paratransit	1,690,932	2,068,156	2,125,105	56,949	2.8%
Chula Vista Transit	2,670,477	2,680,221	2,784,506	104,285	3.9%
Total Passenger Revenue	<u>\$ 90,764,526</u>	<u>\$ 94,027,678</u>	<u>\$ 95,312,025</u>	<u>\$ 1,284,346</u>	<u>1.4%</u>
<b><u>Advertising Revenue</u></b>					
Administration	\$ 784,204	\$ 900,000	\$ 720,000	\$ (180,000)	-20.0%
Total Advertising Revenue	<u>\$ 784,204</u>	<u>\$ 900,000</u>	<u>\$ 720,000</u>	<u>\$ (180,000)</u>	<u>-20.0%</u>
<b><u>Contract Service Revenue</u></b>					
Internal Bus Operations	\$ 186,388	\$ -	\$ -	\$ -	-
Total Contract Service Revenue	<u>\$ 186,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
<b><u>Other Income</u></b>					
Internal Bus Operations	\$ 9,190	\$ 10,000	\$ 10,000	\$ -	-
Rail Operations	551,893	575,000	575,000	-	-
Administrative	2,932,904	3,197,704	3,775,360	577,656	18.1%
Taxicab	845,127	865,000	865,000	-	-
SD&AE	119,749	165,000	145,000	(20,000)	-12.1%
Total Other Income	<u>\$ 4,458,862</u>	<u>\$ 4,812,704</u>	<u>\$ 5,370,360</u>	<u>\$ 557,656</u>	<u>11.6%</u>
<b>TOTAL OPERATING REVENUE</b>	<u><b>\$ 96,194,320</b></u>	<u><b>\$ 99,740,382</b></u>	<u><b>\$ 101,402,385</b></u>	<u><b>\$ 1,662,002</b></u>	<u><b>1.7%</b></u>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**

AI No 4a: Attachment C

**OPERATING BUDGET**

**NON OPERATING REVENUE**

**FISCAL YEAR 2014**

	ACTUAL FY12	AMENDED BUDGET FY13	PROPOSED BUDGET FY14	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
<b><u>FEDERAL</u></b>					
FTA 5307 - Planning	\$ 151,771	\$ 110,000	\$ -	\$ (110,000)	-100.0%
FTA 5307/5309 - Preventative Maintenance	33,200,000	33,200,000	33,200,000	-	-
FTA 5307 - ADA PM	3,967,449	3,995,213	3,887,480	(107,733)	-2.7%
FTA 5307 - Fuel PM	-	2,959,280	-	(2,959,280)	-100.0%
JARC	758,106	1,039,425	984,253	(55,172)	-5.3%
FTA 5311 / 5311(f) - Rural	434,837	434,837	430,000	(4,837)	-1.1%
Total Federal Funds	\$ 38,512,163	\$ 41,738,754	\$ 38,501,733	\$ (3,237,022)	-7.8%
<b><u>TRANSPORTATION DEVELOPMENT ACT (TDA)</u></b>					
TDA - Article 4.0 MTS Area	\$ 61,094,667	\$ 63,318,786	\$ 63,776,592	\$ 457,806	0.7%
TDA - Fuel PM	-	-	-	-	-
TDA - Article 4.5 (ADA)	3,692,182	3,985,719	4,189,922	204,203	5.1%
TDA - Article 8.0	555,049	436,488	445,390	8,902	2.0%
Total TDA Funds	\$ 65,341,898	\$ 67,740,993	\$ 68,411,903	\$ 670,910	1.0%
<b><u>STATE TRANSIT ASSISTANCE (STA)</u></b>					
STA - Formula	1,697,468	5,023,765	2,399,003	(2,624,761)	-52.2%
Total State Funds	\$ 1,697,468	\$ 5,023,765	\$ 2,399,003	\$ (2,624,761)	-52.2%
<b><u>STATE REVENUE - OTHER</u></b>					
Caltrans	\$ 73,683	\$ -	\$ -	\$ -	-
MediCal	1,397,749	1,320,000	1,320,000	-	-
Total State Funds	\$ 1,471,433	\$ 1,320,000	\$ 1,320,000	\$ -	-
<b><u>TRANSNET</u></b>					
TransNet - 40% Operating Support	\$ 19,821,804	\$ 21,255,580	\$ 22,554,000	\$ 1,298,420	6.1%
TransNet - Access ADA	671,783	709,697	744,000	34,303	4.8%
TransNet - Superloop	1,823,745	2,598,357	2,600,289	1,933	0.1%
TransNet - BRT	72,722	290,000	350,000	60,000	20.7%
Total TransNet Funds	\$ 22,390,054	\$ 24,853,634	\$ 26,248,289	\$ 1,394,655	5.6%
<b><u>OTHER LOCAL</u></b>					
City of San Diego	\$ 459,102	\$ 459,102	\$ 459,102	\$ -	-
SANDAG - Inland Breeze	1,000,000	1,000,000	1,000,000	-	-
Other - 4S Ranch	128,035	210,030	202,037	(7,993)	-3.8%
SANDAG - Murphy Canyon	182,576	-	-	-	-
Other	82,881	81,073	220,559	139,486	172.0%
CNG Rebates	2,963,673	789,426	-	(789,426)	-100.0%
Other Local Funds	\$ 4,816,267	\$ 2,539,631	\$ 1,881,698	\$ (657,933)	-25.9%
<b><u>LEASE-LEASEBACK / RESERVES</u></b>					
Lease-Leaseback	\$ 7,514,290	\$ 7,571,926	\$ 7,566,990	\$ (4,936)	-0.1%
Reserve Utilization	31,846	3,342,498	152,587	(3,189,911)	-95.4%
Total Lease-Leaseback / Reserves	\$ 7,546,136	\$ 10,914,424	\$ 7,719,577	\$ (3,194,847)	-29.3%
<b>TOTAL NON OPERATING REVENUE</b>	<b>\$ 141,775,419</b>	<b>\$ 154,131,201</b>	<b>\$ 146,482,204</b>	<b>\$ (7,648,997)</b>	<b>-5.0%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATING BUDGET**  
**OPERATING STATISTICS**  
**FISCAL YEAR 2014**

AI No 4a: Attachment D

	ACTUAL FY12	AMENDED BUDGET FY13	PROPOSED BUDGET FY14	\$ CHANGE BUDGET/ AMENDED	% CHANGE BUDGET/ AMENDED
<b><u>Revenue Miles</u></b>					
Internal Bus Operations	8,601,031	8,554,827	8,636,516	81,689	1.0%
Rail Operations - Base	7,766,032	7,570,045	7,559,212	(10,833)	-0.1%
MCS - Fixed Route	8,298,789	8,290,267	8,418,080	127,814	1.5%
MCS - Paratransit	3,030,610	3,249,002	3,513,106	264,104	8.1%
Chula Vista Transit	1,024,202	1,035,800	1,044,695	8,895	0.9%
<b>Total</b>	<b>28,720,665</b>	<b>28,699,940</b>	<b>29,171,609</b>	<b>471,669</b>	<b>1.6%</b>
<b><u>Total Miles</u></b>					
Internal Bus Operations	9,795,312	9,899,004	10,031,048	132,045	1.3%
Rail Operations - Base	7,848,649	7,689,128	7,672,600	(16,528)	-0.2%
MCS - Fixed Route	9,964,802	10,018,354	10,201,992	183,638	1.8%
MCS - Paratransit	4,378,375	4,590,497	4,964,165	373,668	8.1%
Chula Vista Transit	1,131,502	1,151,851	1,168,072	16,221	1.4%
<b>Total</b>	<b>33,118,640</b>	<b>33,348,834</b>	<b>34,037,878</b>	<b>689,045</b>	<b>2.1%</b>
<b><u>Revenue Hours</u></b>					
Internal Bus Operations	790,390	786,789	794,003	7,214	0.9%
Rail Operations - Base	435,632	461,029	464,285	3,256	0.7%
MCS - Fixed Route	765,483	770,802	781,398	10,596	1.4%
MCS - Paratransit	172,302	184,785	199,713	14,928	8.1%
Chula Vista Transit	100,130	100,335	100,723	388	0.4%
<b>Total</b>	<b>2,263,937</b>	<b>2,303,740</b>	<b>2,340,123</b>	<b>36,382</b>	<b>1.6%</b>
<b><u>Total Hours</u></b>					
Internal Bus Operations	831,188	834,262	843,498	9,236	1.1%
Rail Operations - Base	441,661	464,477	466,618	2,141	0.5%
MCS - Fixed Route	817,824	825,388	837,982	12,594	1.5%
MCS - Paratransit	252,431	272,969	295,167	22,198	8.1%
Chula Vista Transit	105,329	105,954	106,768	814	0.8%
<b>Total</b>	<b>2,448,434</b>	<b>2,503,050</b>	<b>2,550,033</b>	<b>46,983</b>	<b>1.9%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATING BUDGET**

AI No 4a: Attachment E

**CONSOLIDATED INCOME STATEMENT**

**FISCAL YEAR 2014**

in (\$000s)

	<b>ACTUAL FY12</b>	<b>AMENDED BUDGET FY13</b>	<b>PROPOSED BUDGET FY14</b>	<b>\$ CHANGE BUDGET/ AMENDED</b>	<b>% CHANGE BUDGET/ AMENDED</b>
Passenger Revenue	\$ 90,765	\$ 94,028	\$ 95,312	\$ 1,284	1.4%
Other Revenue	5,430	5,713	6,090	378	6.6%
<b>Total Operating Revenues</b>	<b>\$ 96,194</b>	<b>\$ 99,740</b>	<b>\$ 101,402</b>	<b>\$ 1,662</b>	<b>1.7%</b>
Total Non-Operating Revenue	141,775	154,131	146,482	(7,649)	-5.0%
<b>Total Revenues</b>	<b>\$ 237,970</b>	<b>\$ 253,872</b>	<b>\$ 247,884</b>	<b>\$ (5,987)</b>	<b>-2.4%</b>
Personnel Expenses	107,053	112,946	117,488	4,542	4.0%
Personnel-Dexia Pension Debt	5,000	12,600	-	(12,600)	-100.0%
Outside Services	17,274	18,551	20,873	2,321	12.5%
Purchased Transportation	54,549	56,487	58,809	2,322	4.1%
Materials And Supplies	7,981	8,450	8,824	373	4.4%
Energy	23,402	23,596	24,987	1,390	5.9%
Risk Management	3,657	3,833	4,308	475	12.4%
General And Administrative	1,575	1,966	1,831	(134)	-6.8%
Vehicle / Facility Lease	966	1,175	1,221	47	4.0%
Debt Service	10,127	9,759	9,543	(217)	-2.2%
<b>Total Operating Expenses</b>	<b>\$ 231,583</b>	<b>\$ 249,365</b>	<b>\$ 247,884</b>	<b>\$ (1,480)</b>	<b>-0.6%</b>
<b>Total Revenues Less Total Expenses</b>	<b>6,387</b>	<b>4,507</b>	<b>0</b>	<b>(4,507)</b>	<b>-</b>
<b>Net Operating Subsidy</b>	<b>\$ (135,389)</b>	<b>\$ (149,624)</b>	<b>\$ (146,482)</b>	<b>\$ 3,142</b>	<b>2.1%</b>

# San Diego Metropolitan Transit System

AI No 4a: Attachment F

## Operating Budget

### Total Operating Expenses

Fiscal Year 2014

(in \$000's)

	Mid Year FY 2013	Allocation Differences	ADJUSTED FY13	PROPOSED FY14	\$ VARIANCE	Percent Variance
<b>Operations</b>						
Internal Bus Operations	91,297	(12,600)	\$ 78,697	\$ 81,552	\$ 2,855	3.6%
Rail Operations	50,000	-	50,000	51,811	1,810	3.6%
Contract Services - Fixed Rout	47,527	-	47,527	49,496	1,969	4.1%
Contract Services - Paratransit	14,444	-	14,444	14,926	482	3.3%
Chula Vista Transit	6,289	-	6,289	6,446	156	2.5%
Coronado Ferry	174	-	174	183	9	5.1%
Administrative Pass Through	344	-	344	344	-	0.0%
<b>Combined Operations</b>	<b>210,075</b>	<b>(12,600)</b>	<b>\$ 197,475</b>	<b>\$ 204,757</b>	<b>\$ 7,281</b>	<b>3.7%</b>
<b>Other Operations</b>						
Taxicab Administration	929	-	\$ 929	\$ 903	\$ (25)	-2.7%
San Diego & Arizona Eastern	137	-	137	134	(4)	-2.6%
<b>Combined Other Operations</b>	<b>1,066</b>	<b>-</b>	<b>\$ 1,066</b>	<b>\$ 1,037</b>	<b>\$ (29)</b>	<b>-2.7%</b>
<b>Administrative</b>						
Board of Directors	72	-	\$ 72	\$ 69	\$ (3)	-3.6%
BOD Admin	187	-	187	197	10	5.2%
Bus Bench / Bus Shelter	124	-	124	123	(1)	-0.4%
Compass Card	-	-	-	1,482	1,482	0.0%
Executive	587	-	587	611	24	4.1%
Finance	1,442	-	1,442	1,534	92	6.4%
Fringes	5,201	-	5,201	5,887	686	13.2%
General	10,476	-	10,476	10,511	35	0.3%
Human Resources	1,484	-	1,484	1,495	11	0.8%
Information Technology	3,193	-	3,193	3,746	553	17.3%
Land Management	351	-	351	547	196	55.9%
Legal	292	-	292	383	91	31.1%
Marketing	1,428	-	1,428	1,508	80	5.6%
Operations Planning	672	-	672	767	95	14.2%
Procurement	710	-	710	824	114	16.1%
Revenue	-	-	-	-	-	0.0%
Risk	600	-	600	633	33	5.4%
Security	9,280	-	9,280	9,623	343	3.7%
Stores	1,143	-	1,143	1,162	19	1.7%
Telephone Information Service	637	-	637	631	(6)	-0.9%
Transit Store	346	-	346	359	12	3.6%
<b>Combined Administrative</b>	<b>38,223</b>	<b>-</b>	<b>\$ 38,223</b>	<b>\$ 42,091</b>	<b>\$ 3,867</b>	<b>10.1%</b>
<b>Combined Grand Total</b>	<b>249,365</b>	<b>(12,600)</b>	<b>\$ 236,765</b>	<b>\$ 247,884</b>	<b>\$ 11,120</b>	<b>4.7%</b>

# SAN DIEGO METROPOLITAN TRANSIT SYSTEM

AI No 4a: Attachment G

## Operating Budget

### Energy Impact on Operations

Fiscal Year 2014

	<b>CNG</b>	<b>Gasoline</b>	<b>Diesel</b>	<b>Electricity</b>
Unit of Measure	Therm	Gallon	Gallon	KwH
FY14 Projected Rate	\$ 0.81	\$ 3.40	\$ 3.42	\$ 0.167
Annual Usage	8,200,000	1,120,000	850,000	51,300,000
Cost Impact of \$0.01 Rate Increase	\$ 82,000	\$ 11,200	\$ 8,500	\$ 513,000
Annual Miles	16,400,000	6,400,000	3,100,000	7,700,000
Average Cost per Mile	\$ 0.41	\$ 0.60	\$ 0.94	\$ 1.11

### Historical Rate Trend

	<b>FY09 Actual</b>	<b>FY10 Actual</b>	<b>FY11 Actual</b>	<b>FY12 Actual</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>
Diesel	\$ 2.70	\$ 2.41	\$ 2.91	\$ 3.39	\$ 3.40	\$ 3.42
Gasoline	3.01	2.70	3.35	3.53	3.38	3.40
CNG	1.295	1.096	0.955	0.837	0.754	0.812
Electricity	0.162	0.168	0.164	0.158	0.154	0.167



Metropolitan Transit System

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## Agenda Item No. 4b

JOINT MEETING OF THE  
BUDGET DEVELOPMENT COMMITTEE  
for the  
Metropolitan Transit System,  
San Diego Transit Corporation, and  
San Diego Trolley, Inc.

FIN 310.1 (PC 50601)

April 4, 2013

**SUBJECT:**

MTS: CALIFORNIA PUBLIC EMPLOYEE'S PENSION REFORM ACT (PEPRA) AND  
PENDING 13(C) OBJECTIONS TO MTS GRANTS

**RECOMMENDATION:**

That the Budget Development Committee receive a report and provide direction on the pending Department of Labor 13(c) objections to MTS federal grants due to the California Public Employee's Pension Reform Act.

Budget Impact

None at this time.

**DISCUSSION:**

As part of its Federal Grant Funding process, MTS is required to meet the labor protection requirements of Section 13(c) of the Federal Urban Mass Transportation Act of 1964. In general, this has been a routine process for MTS grants. However, following the passage of the statewide pension reform measures (PEPRA – AB 340) in the Fall of 2012, transit labor unions have alleged that the pension limits imposed by PEPRA violate Section 13(c) by limiting the labor unions' collective bargaining rights. On this basis, the unions have challenged all transit agency grants in California. The U.S. Department of Labor (DOL) has accepted the labor unions' initial objections as likely to succeed and refused to certify the grants.

Negotiations with the objecting union, the Amalgamated Transit Union, were unsuccessful. MTS is currently waiting for a DOL briefing process to be scheduled. Following briefing, the DOL will make a final decision regarding certification of the grants. If the DOL refuses to certify the grants, it will prevent the grants from being released to California transit agencies.



MTS has been communicating with the DOL in advance of their final decision. Staff will provide an update on these communications and outline the potential impact to MTS in the event the grants are not released.

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

Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachments: A. 13(c) Board Primer from MTS Counsel dated February 28, 2013





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## MEMORANDUM<sup>1</sup>

Date: February 28, 2013

To: MTS Board of Directors

From: Karen Landers, MTS General Counsel

Re: Pending Section 13(c) Objections and MTS Federal Funding Risk

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### SUMMARY OF ISSUE:

As part of its Federal Grant Funding process, MTS is required to meet the labor protection requirements of Section 13(c) of the Federal Urban Mass Transportation Act of 1964 (explained below). In general, this has been a routine process for MTS grants. However, following the passage of the statewide pension reform measures (PEPRA – AB 340) in the Fall of 2012, transit labor unions have alleged that the pension limits imposed by PEPRA violate Section 13(c) by limiting the labor unions' collective bargaining rights. On this basis, the unions have challenged all transit agency grants in California. The U.S. Department of Labor (DOL) has accepted the labor unions' initial objections as likely to succeed and refused to certify the grants. The parties have been ordered to conduct negotiations on this issue. If the negotiations do not resolve the unions' objections, then a further briefing process at the DOL will take place. Following briefing, the DOL will make a final decision regarding certification of the grants. If the DOL refuses to certify the grants, it will prevent the grants from being released to California transit agencies. At issue is more than \$1 billion in federal funds slated for California transit agencies in FY 13 and beyond.

### A. MTS GRANTS AT RISK

For MTS, the specific grants at risk are:

1. CA-04-0267 – East County Bus Maintenance Facility Reconstruction and Transit Asset Management System: \$13,000,000. This grant has been objected to by the ATU International and is currently in the DOL process outlined below. The parties were ordered to a 30 day negotiation period on February 13, 2013.

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<sup>1</sup> This memorandum is intended as a primer to explain the pending Section 13(c) grant objections MTS is responding to and the potential impacts such objections may have on MTS funding. This memo was prepared with the intent that Board members may refer to the memorandum when discussing this issue with interested parties. Therefore, it is not considered a confidential attorney-client communication and distribution to third parties is permitted.



MTS Board of Directors  
*Primer re Pending Section 13(c) Objections and MTS Federal Funding Risk*

2. Section 5307 Formula Funds - Preventative Maintenance and Capital Improvement. FFY2013 apportionment: \$39,000,000. This grant will include approximately \$16,000,000 in funds used for preventative maintenance for both San Diego Transit and ADA Paratransit services, and \$8,000,000 for bus replacement. SANDAG will apply for \$15,000,000 in grants for MTS CIP projects they complete and administer. The application for these funds will be submitted in June 2013.
3. Section 5337 Formula Funds - Preventative Maintenance. FFY 2013 apportionment: \$21,000,000 completely utilized for preventative maintenance for both San Diego Transit and San Diego Trolley. The application for these funds will be submitted in June 2013.
4. Section 5339 Formula Funds - Capital Improvement. FFY2013 apportionment: \$3,000,000. This funding will be utilized as part of the MTS bus replacement program. The application for these funds will be submitted in June 2013.

**B. THE FEDERAL GRANT PROCESS:**

The formula grant applications are based on MTS' Board approved Capital Improvements Program (CIP). MTS staff programs the funding and project information into the Regional Transportation Improvement Program (RTIP) which is submitted to the region's Metropolitan Planning Organization (MPO), SANDAG, for approval. The RTIP becomes part of the State TIP, approved by Caltrans, which in turn becomes part of the Federal TIP (FTIP) approved by the federal Department of Transportation (DOT). Once the FTIP is approved, the grant application can be submitted to FTA.

The grant application review process by FTA and DOL takes on average six weeks to complete. Upon completion of the review of a successful application, MTS is notified of the grant award. Once the award is made, MTS can begin to draw the funds.

The federal formula funds all have automatic pre-award authority which allows an agency to be reimbursed from grant funds for costs incurred prior to grant award. The largest portion of the formula grants is to fund preventative maintenance costs, \$37,000,000 annually. Because of the pre-award authority, MTS can draw those funds as soon as the grants are awarded since those costs have already been realized by MTS operations. Below is a timeline of the normal federal formula grant application process.

- March: MTS' Board of Directors approves the CIP, and SANDAG (MPO) approves the RTIP
- April: Caltrans approves State TIP (on average 2 weeks after SANDAG submission)
- April to May: Federal DOT approves Federal TIP (on average 2 weeks after Caltrans submission)
- Early to mid-June: MTS enters grant information into an online FTA grant management system (TEAM) working with FTA. Mid-June: Upon notification from FTA staff, MTS' CEO formally submits the grant in TEAM.

MTS Board of Directors  
*Primer re Pending Section 13(c) Objections and MTS Federal Funding Risk*

- Mid-June: The grant application is referred to the DOL for review and certification. This includes input and approvals from the various labor unions contracted with MTS.
- July: The DOL certifies the grant applications and FTA proceeds with a final review.
- August: MTS is notified that the grants are ready for award, and the CEO executes the grants in TEAM.
- Mid-August: MTS begins grant management procedures and draws grants funds to reimburse eligible capital expenditures, including preventative maintenance, incurred prior to grant award.

If the DOL will not certify the grant applications, MTS will not be able to draw the funds for reimbursement of eligible capital expenditures including preventative maintenance. The amount of the draws in August include at a minimum \$37,000,000 in preventative maintenance reimbursements.

MTS reserves could be used to for these purposes, but would be completely drawn down by late 2013, exhausting MTS reserves for other purposes and requiring service cuts and layoffs. Legal requirements for evaluating, studying and providing public notice regarding service cuts necessitate approximately 6 months of lead time before service cuts can take place. Therefore, MTS preparation for such consequences would require this process start in March or April to be prepared for service cuts in October or November.

### **C. SUBSTANTIVE REQUIREMENTS OF SECTION 13(C)**

Section 13(c) is a required condition on the receipt of grants from the Federal Transit Administration (FTA). It includes two basic substantive requirements:

#### **1. Protection Against Harm**

Section 13(c) provides protection from the adverse impact of Federal grants (i.e., a reduction in pay, or loss of work, that occurs “as a result of” a FTA grant). This protection is primarily in the form of 13(c) benefits such as dismissal and displacement allowances.

#### **2. Protection of Collective Bargaining Rights**

- (a) 13(c)(1) protects rights, privileges and benefits (including pension rights and benefits) under existing collective bargaining agreements (CBAs). These rights and benefits can be changed, but only through collective bargaining.
- (b) 13(c)(2) protects the *process* of collectively bargaining -- it requires that the process of bargaining over terms and conditions of employment (mandatory subjects of bargaining) be preserved and continued. This is the primary issue presented by the current situation in California.

**D. THE DEPARTMENT OF LABOR 13(C) PROCESS**

1. FTA grants are sent to the Department of Labor (DOL) for 13(c) “certification”. DOL refers the grant to the transit agency grantee and the unions, citing the applicable 13(c) protections (usually one or more 13(c) agreements).
2. For the vast majority of grants, the referral goes through without issue (no objection by either party) and the grant is made.
3. However, either party may object to the 13(c) terms and, in that case the DOL must determine if the objection is “sufficient”. Under DOL’s Guidelines, “sufficiency” requires a showing of either (a) material issues that may require alternative employee protections, or (b) changes in legal or factual circumstances that may materially affect the interests of employees.
4. After DOL’s consideration of an objection, one of the following happens:
  - (a) If DOL finds the objection is not “sufficient”, it certifies the grant.
  - (b) If DOL finds the objection is “sufficient”, it directs the parties to negotiate over the matter in dispute, usually for a period of 30 days.
5. If the negotiations do not result in the resolution of the matter in dispute, DOL will normally issue an “Interim Certification” 5 days after the end of the negotiation period. This allows the grant funds to be released. In cases involving conflicts with State laws, however, DOL may decide not to issue an Interim Certification, on the grounds that a failure to resolve the issue may render the transit agency ineligible for Federal funds.
6. For a final resolution of the issues in dispute, DOL normally requires briefs and reply briefs from the transit agency and the union, under a specified timetable (normally 30 days for the briefing process and 30 days for DOL’s ruling). DOL then rules on the matter in dispute in its issuance of a Final Certification.

**E. PEPPRA**

PEPPRA (AB 340) imposed certain restrictions on the level of pension benefits that may be offered to public employees in California. In general, for employees hired after January 1, 2013, PEPPRA places a ceiling on the pension formula that may be offered. For non-safety employees, the ceiling is 2% at 62. The law also limits what type of compensation can be considered when calculating “pensionable compensation” and requires that pensionable compensation be averaged over 3 years instead of based on the highest 12 months of compensation. These provisions are intended to prevent “pension spiking” which allowed employees to receive a pension based on payments that were not consistent with the average salaries actually earned over the course of an individual’s career. For employees hired on or before December 31, 2012, the law encourages employers to work towards the employee paying 50% of the normal cost for the pension benefit. Employees hired on or after January 1, 2013 are required to pay 50% of normal cost.

## **F. ATU ARGUMENTS**

ATU argues that PEPPRA unlawfully restricts the employees' Section 13(c) rights by eliminating issues that can be bargained. PEPPRA sets a ceiling for pension formulas and a definition of pensionable compensation that bargaining is not allowed to exceed. ATU argues that this takes away its right to bargain regarding pension benefits. During the Section 13(c) good faith negotiations with other agencies, ATU has demanded the following:

- (1) That the transit agency not comply with PEPPRA and instead continue to provide employees hired on or after January 1, 2013 with the same level of pension benefits provided to employees hired before that date; and
- (2) Support an exemption to PEPPRA for transit agency employees with Section 13(c) rights. (New bill – AB 160).

MTS and other California transit agencies have presented lists of other issues related to pensions and retirement benefits that can still be bargained. During the 13(c) good faith negotiation period with other California transit agencies, the ATU was unwilling to discuss the list.

## **G. UNIQUE CIRCUMSTANCES OF MTS COLLECTIVE BARGAINING AGREEMENTS**

The adoption of PEPPRA had no immediate impact on MTS union employees because the collective bargaining agreements (CBAs) negotiated during the 2012 calendar year either (1) eliminated the defined benefit plan and replaced it with a defined contribution plan for new employees or (2) expressly adopted a new defined benefit pension formula and employee contribution rate that is consistent with PEPPRA. During the course of that bargaining, MTS provided other benefits/compensation in exchange for these pension changes.

Notwithstanding this circumstance, ATU continues to object to MTS's grants by claiming that PEPPRA prevents ATU from bargaining for better pension rights in the future.