

MINUTES
MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BUDGET DEVELOPMENT COMMITTEE (BDC)

04/23/2024

[Clerk's note: Except where noted, public, staff and board member comments are paraphrased. The full comment can be heard by reviewing the recording at the [MTS website](#).]

1. Roll Call

Ms. Moreno called the Budget Development Committee meeting to order at 9:01 a.m. A roll call sheet listing Budget Development Committee member attendance is attached.

2. Public Comments

There were no Public Comments.

3. Approval of Minutes

Mr. Goble moved to approve the minutes of the March 7, 2024, MTS Budget Development Committee meeting. Mr. McCann seconded the motion, and the vote was 3 to 0 in favor with Whitburn and Montgomery Steppe absent.

DISCUSSION ITEMS

4. Fiscal Year (FY) 2025 Operating Budget Discussion (Gordon Meyer)

Gordon Meyer, MTS Manager of Financial Planning and Analysis, presented on the FY 2025 Operating Budget Discussion. He gave an overview of the Budget Development Process. Mr. Meyer went over the FY25 Operating Budget Revenue Assumptions; Sales Tax Revenues; Federal Transit Administration (FTA); Seante Bill (SB) 125; Other Subsidy Revenue; Passenger Fare Revenue; Other Operating Revenue and the overall Revenue Summary. He also went over the FY2025 Operating Budget service levels. Mr. Meyer gave an overview of the FY25 Operating Budget Expense Assumptions: Personnel; Purchased Transportation; Outside Services; Energy; Other Expenses; Expenses Summary and Consolidated Revenue less Expenses. He also gave an overview of the Operating Deficit Reserve and the next steps for the BDC.

Sharon Cooney, MTS Chief Executive Officer (CEO) went over the areas where changes could be made in order to help address the structural deficit in the upcoming years.

Public Comment

There were no Public Comments.

Board Comment

Board member McCann asked what is the probability that MTS will receive funding from State Transit Assistance (STA) for FY25, with the current deficit the State of California has and continues to grow. Mr. Meyer mentioned the projected amount received for

FY25 is still an estimated amount and is based on the January Governor's proposal. A more refined projection will be received in the May Governor's proposal.

Mr. Goble thanked Mr. Meyer for the presentation. He mentioned that it is concerning to see passenger revenue dropping from FY24 18% to FY25 17.5%. He also mentioned that on the bright side the open source payment should help increase the revenue. Mr. Goble also addressed his concerns about the penalty of just paying for your fare when you get caught without a fare as there is really no penalty. Mr. Goble asked if staff is projecting a 14% increase in electricity and 4.4% increase in transmission/demand. Mr. Meyer mentioned that staff's forecasts are based on these numbers but are expected to change. Mr. Goble mentioned electricity is increasing fast and with the transition of an all-electric fleet, we are very vulnerable to high electricity increases each year and wonders if there will be enough electricity in California as the more electric buses are purchased the more electricity that needs to be created. Mr. Meyer mentioned that staff met with Calpine Energy Solutions as they also have the same concerns. Mr. Goble asked if the cost for electric buses tires, or where the buses will be parked on etc. are similar to the cost of the current bus's tires. Mike Wygant, Chief Operating Officer, Bus (COO), mentioned that tire cost is not an issue. He also mentioned that for the next two deployments of overhead charging at MTS divisions, we have the grid capacity, but after those upgrades, there are concerns with that balance. Mr. Wygant also mentioned that at the moment the electric vehicles are able to be charged during off peak or super off peak hours but eventually as the transition to electric vehicles continues that will no longer be possible as we won't be able to make service; and will need to incorporate the cost of commodity and the transmission increasing. Mr. Goble asked if the range of miles of the new electric buses are comparable to the range of the Compressed Natural Gas (CNG) buses. Mr. Wygant mentioned that the current electric bus versions run about 140 miles and the newer version will get closer to 200 miles, but the technology has not advanced to that level yet. Mr. Goble commented on the personnel expenses increasing 11.5% in one year, due to increased service and wage levels combined. He asked if MTS would need more electric buses to replace the current fleet of buses and does that mean more people to run those buses, such as are two (2) electric bus needed to replace one (1) CNG bus and two (2) drivers needed to replace one (1) driver. Ms. Cooney mentioned that at the moment staff is not planning for that until later in the future, mentioning that the goal would be to never have a two for one replacement on a bus and only have the one for one. Mr. Wygant commented that the transition plan as of today is to have a one for one replacement. Mr. Goble commented on the Operating Deficit Reserve, mentioning if the \$65M will get us through 2026 and if SB125 is funded it will get us through another couple of years. Mr. Meyer mentioned that that is correct and that looking at what we have now, and staff is building out the official 5-year forecast, which will be presented at the next meeting. Mr. Goble mentioned that when the reserves have been exhausted, whether that's in FY25 or FY28, at that moment fares would have to be raised or service would have to be reduced or a combination of both or find another source of revenue.

Mr. McCann thanked Gordon and the staff for doing a great report.

Chair Moreno mentioned that she would like to see an update to the Zero Emission Bus (ZEB) transition plan in the future. Ms. Cooney mentioned that an update is scheduled for the June MTS Board meeting. Ms. Moreno mentioned that it would be prudent to add

details of the future of the budget to the conversation. Ms. Moreno mentioned that she appreciates the Federal support that MTS received during the pandemic, and she wants to commend staff for using the Federal support wisely, including creating the operating deficit reserve to supplement the budget through FY26. She also mentioned that she is pleased staff used the time the Federal support gave us to try to grow ridership as she did see the graph a little bit differently. She mentioned that passenger levels continue to grow, even if they are at a slightly lower rate that what was projected at midyear. And as we continue to have challenges with the structural budget deficit, she thinks the agency is in very good standing and in very good shape, especially compared to many of the local governments in the State of California. Ms. Moreno mentioned that ultimately she believes MTS needs more funding to support its operations long term and she encourages staff to look at potential revenue that could be pursued in FY26.

Action Taken

Informational item only. No action taken.

OTHER ITEMS

5. Next Meeting Date

The next Budget Development Committee meeting is scheduled for May 8, 2024, at 1:00 p.m.

6. Other Staff/Committee Member Communications and Business

Ms. Cooney announced that Mike Thompson has been promoted to Deputy Chief Financial Officer (CFO). She mentioned that Mr. Thompson has many years of service at MTS has presented many times about our finances; he will also be assuming the procurement side of the house.

7. Adjournment

Chair Moreno adjourned the meeting at 10:06 a.m.

/s/ Vivian Moreno
Chairperson
San Diego Metropolitan Transit System

/s/ Lucia Mansour
Committee Clerk
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet