

MINUTES

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM

JOINT AUDIT OVERSIGHT AND EXECUTIVE COMMITTEE

June 13, 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**

Chair Whitburn called the Joint Audit Oversight and Executive Committee meeting to order at 9:03 a.m. A roll call sheet listing Joint Audit Oversight and Executive Committee member attendance is attached.

2. **Public Comment**

Alex Wong – Provided a verbal statement to the Board during the meeting. Alex urged the Board to increase Trolley service frequency.

3. **Approval of Minutes**

Vice Chair Goble moved to approve the minutes of the February 1, 2024, Audit Oversight Committee and May 9, 2024 Executive Committee meeting minutes. Board Member Frank seconded the motion, and the vote was 4 to 0 in favor with Board Member Montgomery Steppe, Board Member Moreno and Board Member Bush absent.

DISCUSSION ITEMS

4. **The Pun Group Engagement Letter for the Fiscal Year (FY) 2024 Audit (Erin Dunn)**

Erin Dunn, MTS Controller, and Coley Delaney, with The Pun Group, presented on The Pun Group Engagement Letter for the FY 2024 Audit. They presented on: the scope of work, manager's responsibilities, auditor's responsibilities, interim audit process and interim audit results.

Public Comment

There were no Public Comments.

Action Taken

No action taken. Informational item only.

5. **Interim Audit (Erin Dunn)**

Ms. Dunn and Mr. Delaney presented on the Interim Audit. They outlined the interim audit procedures and results.

Public Comment

The Original DRA – Provided a verbal statement to the Board during the meeting. The Original DRA expressed difficulty logging onto the meeting and was concerned other commenters may experience the same issue.

Action Taken

No action taken. Informational item only.

6. Fiscal Year (FY) 2025 Proposed Operating Budget (Gordon Meyer)

Gordon Meyer, MTS Manager of Financial Planning, presented on FY 2025 Proposed Operating Budget. He outlined: the operating budget overview, revenue summary, service levels (removing Senate Bill (SB) 125 funding), expenses summary, consolidated revenue less expenses, updated 5-year projection, structural deficit, next steps, and staff's recommendation.

Sharon Cooney, MTS Chief Executive Officer, let the committee know that the agency is applying for various other grants to remedy potential SB 125 funding removal.

Public Comment

The Original DRA – Provided a verbal statement to the Board during the meeting. The Original DRA expressed dissatisfaction with the agency's program funding allocation.

Committee Comment

Board Member Moreno restated her support at the May Budget Development Committee, to postpone the launch of the 910 Bus route due to SB125 funding uncertainties. She noted the State's intention to delay the disbursement of SB 125, rather than remove it. She advocated for funding restoration and asked staff if they have coordinated with members of the San Diego Delegation or Senator Toni Atkins about the potential funding cuts.

Ms. Cooney replied that she has met with members of the delegation and Senator Atkins office. In her capacity as the California Transit Association Chair, she has also met with the State Budget Committee, Governor's Office, and is working on posting an op-ed about the matter. The legislative proposal that has moved to a discussion with the Governor includes SB 125 funding. She noted that the release date has shifted and that it was unclear when the current funding allocation would be unfrozen. Ms. Cooney acknowledged an upcoming meeting where she would meet with CalSTA's (California State Transportation Agency) Transit Transformation Task Force.

Board Member Moreno urged the Chair and the committee to coordinate with the San Diego Delegation for a final push. She also asked that, if the SB 125 funding was restored after the June 20th Board of Director's meeting, what would be the procedure to ensure that the funding was included in the FY 25 budget. Mr. Meyer outlined the scenario, noting the agency would have the final funding update in July 2024 and would discuss priorities. Then, the budget would be formally amended in January of 2025.

Board Member Moreno listed trolley frequencies and the launch of the new Route 910 bus route as top priority projects that SB 125 would fund. Board Member Moreno asked to see the Capital Improvement Program (CIP) portfolio at the July 18th Board meeting. She also noted that safety-related funding should not be re-allocated.

Board Member Moreno asked staff about the operating deficit reserve. Mr. Meyer replied that MTS currently has \$57 million in the operating deficit reserve and expects to contribute an additional \$30 million to the reserve at the end of FY24, resulting in a projected balance of \$87 million, heading into FY25. The proposed FY25 budget includes the usage of \$32 million in reserves to balance the budget, leaving an estimated \$55 million at the end of FY25 and

heading into FY26. Board Member Moreno asked Mr. Meyer to confirm if the stimulus reserve is funding the deficit. Mr. Meyer confirmed.

Board Member Moreno also asked that the Grant Award list be brought forward to the Committee for review. She stated that as a long-term solution, she supports MTS exploring a revenue measure.

Vice Chair Goble referenced the 10% increase for personnel expenses (slide 5) and asked if that increase was due to the salary survey adjustments. Mr. Meyer confirmed that the Salary Survey contributed to the increase and clarified that the agency added an additional 86 full time employees (FTEs) that included the additional security personnel increase, flagging wage increases, health and welfare union proposal costs and increases to the employer contribution plan. He stated that estimated allocations made up the figure, since there were several one-off scenarios. Vice Chair Goble asked to clarify that the upcoming year's figure should be lower. Mr. Meyer confirmed his statement.

Vice Chair Goble referenced slide 8 and asked staff to present on what projects would be affected if funds are shifted from CIP to operations. Ms. Cooney added that staff is coordinating a summer meeting with the Budget Development Committee to talk through those nuances. Mr. Meyer added that any funding allocation shifts would require a formal CIP Budget amendment, which would require formal Board approval. Ms. Cooney added that the plan for SB 125 allocates funding towards service increases and capital projects first and then covers deficit reductions later in the allocation plan. She asked the Board if the Executive Committee would rather allocate funding into the reserve and push out project start dates. Vice Chair Goble noted the difference between capital improvement maintenance versus a wish list.

Board Member Elo-Rivera asked for additional information on CIP grants. Ms. Cooney replied that the agency recently submitted a grant proposal for CIP funds from the Federal Government, and the grant results will be announced at the end of June 2024. As the agency receives additional grants, staff can better re-allocate funding. Board Member Elo-Rivera asked how staff would notify the Board about the funding availability for action. Ms. Cooney envisioned having those conversations with the Budget Development Committee over the summer and then to the Board for approval. Board Member Elo-Rivera asked staff to confirm that what the Board would approve is contingent on what grants are awarded for the remainder of the year. Ms. Cooney confirmed and added that the Board will have several opportunities to make changes, since staff will bring forth an amended CIP and Operations proposal. Board Member Elo-Rivera asked that staff present various options for the Board to choose from and to keep the Board informed of the grant award results. Ms. Cooney also added a potential additional revenue stream from the Citizen's Initiative at San Diego Association of Governments (SANDAG).

Board Member Montgomery Steppe referenced the June 7 Public Security Committee on Fare Evasion Revenue Impact Analysis presentation. She noted a difference in the way that several factors are contributing to the shortfall of revenue collection. She highlighted the difference between advanced payment and stored value system. The various issues were shown by supporting data and believed that it changed the recommendations.

Action Taken

Board Member Moreno moved to recommend that the MTS Board of Directors 1) Receive testimony, review, and comment on the FY 2025 MTS Operating Budget at a public hearing to be scheduled on June 20, 2024; and 2) Enact Resolution No. 24-06 adopting the FY 2025 operating budget for MTS, San Diego Transit Corporation (SDTC), San Diego Trolley (SDTI), MTS Contract Services, and the Coronado Ferry. Vice Chair Goble seconded the motion, and the vote was 6 to 0 in favor with Board Member Bush absent.

OTHER ITEMS

7. Review of Draft June 20, 2024 Board Agenda

Recommended Consent Items

- 3. Approval of Minutes**
Action would approve the May 16, 2024 Board of Directors meeting minutes.
- 4. Chief Executive Officer (CEO) Report**
- 5. Policy No. 26, Disadvantaged Business Enterprise Program – Policy Revisions**
Action would approve revisions to Board Policy No. 26, Disadvantaged Business Enterprise Program.
- 6. Semiannual Uniform Report of Disadvantaged Business Enterprise (DBE) Awards and Payments**
- 7. Operations Budget Status Report for April 2024**
- 8. Renewal of City Agreements to Regulate For-Hire Vehicle Services**
Action would approve a five-year extension of existing agreements for For-Hire Vehicle Regulation with the cities of Chula Vista, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, and Santee.
- 9. PRONTO Operations Technical Support – Sole Source Contract Amendment**
Action would authorize the Chief Executive Officer (CEO) to execute Amendment No. 11 to MTS Doc. No. G1923.0-16, as a Sole Source extension, with Jacobs Engineering Group Inc. (Jacobs), to provide operations technical support services for the PRONTO fare payment system in the amount of \$361,063.00 from June 30, 2024 to June 30, 2026.
- 10. Mission San Diego Station Fence Repair – Work Order Agreement**
Action would authorize the Chief Executive Officer (CEO) to execute Work Order No. MTSJOC348-07 under Job Order Contract (JOC) to MTS Doc. No. PWG348.0-22, with Veterans Engineering Inc. (Veterans), a Disabled Veteran Business Enterprise (DVBE), in the amount of \$228,001.06 for removing and replacing the coping on top of the Mechanically Stabilized Earth (MSE) wall near Mission San Diego Station.

- 11. Architecture and Engineering (A&E) On-Call Services – Capacity Increase**
Action would approve a capacity increase in the amount of \$20,000,000 for MTS A&E On-Call Work Orders based on the following seven (7) Master Agreements: PWL352.0-22, PWL353.0-22, PWL354.0-22, PWL355.0-22, PWL356.0-22, PWL357.0-22, and PWL358.0-22 for the provision of On-Call A&E Services through the remaining duration of the current five-year contract period, expiring June 30, 2027.
- 12. Orange Line Improvement Project (Project) – Special Trackwork Materials – Contract Award**
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1672.0-24, with Progress Rail Services (Progress Rail), for the one-time supply of special trackwork materials, in the amount of \$1,077,473.06 inclusive of 7.75% CA Sales Tax.
- 13. Fenton Parkway Grade Crossing and Wyyerd Fiber Installation Construction Management (CM) Services – Work Order Amendment**
Action would authorize the Chief Executive Officer (CEO) to execute Work Order Amendment No. WOA2496-CM02.01 under MTS Doc. No. G2496.0-21 with AECOM Technical Services Inc. (AECOM) for the Fenton Parkway Grade Crossing and Wyyerd Fiber Installation CM services in the amount of \$40,002.94.
- 14. Hitech Maintenance and Support Services for UTC and Nobel Transit Parking Structures – Sole Source Contract Award**
Agenda Item will be provided prior to Board Meeting.
- 15. Construction Management (CM) Services for South Bay Zero Emission Bus (ZEB) Overhead (OH) Charging Infrastructure Installation and Iris Rapid Station Infrastructure – Work Order Amendment**
Agenda Item will be provided prior to Board Meeting.
- 16. Transit Enforcement and PRONTO Hand-Held Units (HHU) – Contract Award**
Action would authorize the Chief Executive Officer (CEO) to Execute MTS Doc. No. G2869.0-24, with Vantage ID Applications, Inc. (Vantage), a Small Business (SB), in the amount of \$537,204.69 for a period of five (5) years for the purchase of Transit Enforcement and PRONTO HHUs.
- 17. Revisions to Ordinance No. 5 Relating to The Enforcement Authorities of Designated MTS Employees**
Agenda Item will be provided prior to Board Meeting.
- 18. Transit Enforcement Body Worn Cameras (BWC) – Sole Source Contract Award**
Agenda Item will be provided prior to Board Meeting.
- 19. Chief Executive Officer Employment Agreement – Contract Amendment**
Agenda Item will be provided prior to Board Meeting.

Board Member Montgomery Steppe asked if item 22 would be brought forward with comments from the June 7, 2024 Public Security Committee. Karen Landers, MTS General Counsel, assured the Committee that staff would present similar information presented to the Public Security Committee. She noted the removal of some slides and inclusion of additional information on stored value deferred revenue, per the request of the Public Security Committee. Ms. Cooney offered that the presentation be sent to Member Montgomery Steppe's office for review.

8. Other Staff Communications and Business

There was no Other Staff Communications and Business discussion.

9. Committee Member Communications and Other Business

There was no Committee Member Communications and Other Business discussion.

10. Next Meeting Date

The next Joint Audit Oversight and Executive Committee meeting is to be determined. The next regularly scheduled Executive Committee meeting is scheduled for July 11, 2024, at 9:00 a.m. [*Clerk's Note: the July 11, 2024 Executive Committee meeting was subsequently cancelled.*]

11. Adjournment

The meeting was adjourned at 9:57 a.m.

/S/ Stephen Whitburn
Chairperson
San Diego Metropolitan Transit System

/S/ Dalia Gonzalez
Clerk of the Board
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
JOINT AUDIT OVERSIGHT & EXECUTIVE COMMITTEE MEETING

ROLL CALL

MEETING OF (DATE): June 13, 2024 CALL TO ORDER (TIME): 9:03 a.m.
 RECESS: _____ RECONVENE: _____
 CLOSED SESSION: _____ RECONVENE: _____
 _____ ADJOURN: 9:57 a.m.

REPRESENTING	MEMBER	EC ALTERNATE	PRESENT (time arrived)	ABSENT (time left)
AOC & EC Chair	Whitburn <input checked="" type="checkbox"/>	No Alternate <input type="checkbox"/>	9:03 a.m.	9:57 a.m.
AOC & EC Member	Elo-Rivera <input checked="" type="checkbox"/>	Joe LaCava <input type="checkbox"/>	9:03 a.m.	9:57 a.m.
AOC & EC Member	Montgomery Steppe <input checked="" type="checkbox"/>	Vargas <input type="checkbox"/>	9:10 a.m.	9:57 a.m.
AOC & EC Member	Frank <input checked="" type="checkbox"/>	Hall <input type="checkbox"/>	9:03 a.m.	9:57 a.m.
AOC & EC Member	Moreno <input checked="" type="checkbox"/>	Bush <input type="checkbox"/>	9:11 a.m.	9:57 a.m.
AOC & EC Member	Bush <input type="checkbox"/>	Leyba- Gonzalez <input type="checkbox"/>	ABSENT	ABESENT
AOC & EC Vice Chair	Goble <input checked="" type="checkbox"/>	No Alternate <input type="checkbox"/>	9:03 a.m.	9:57 a.m.

SIGNED BY THE CLERK OF THE BOARD: /S/ Dalia Gonzalez