MINUTES

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM

EXECUTIVE COMMITTEE

February 6, 2025

[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 Executive Committee meeting to order at 9:03 a.m. A roll call sheet listing Executive Committee member attendance is attached as Attachment A.

2. Public Comment

Alex Wong – Provided a verbal statement to the Board during the meeting. Alex expressed concerns that merging existing Green and Blue Line tracks would create a bottleneck, limiting capacity and frequency, and MTS to ensure the airport rail doesn't share tracks to maintain efficient transit.

3. Approval of Minutes

Vice Chair Goble moved to approve August 7, 2024 Budget Development Committee Meeting Minutes and the December 12, 2024, Executive Committee meeting Minutes. Board Member Elo-Rivera seconded the motion, and the vote was 5 to 0 in favor with Board Member Montgomery Steppe and Board Member Vaus absent.

DISCUSSION ITEMS

4. San Diego Transit Corporation (SDTC) Pension Investment Status (Jeremy Miller, with RVK Inc., and Mike Thompson)

Mike Thompson, MTS Deputy Chief Financial Officer and Jeremy Miller, with RVK Inc., presented on SDTC Pension Investment Status. They presented on: investment structure as of 6/30/2024, FY 2024 Performance, long term performance details and the investment summary

Public Comment

There were no Public Comments.

Committee Comment

There was no Committee Comment.

Action Taken

No action taken. Informational item only.

5. San Diego Transit Corporation (SDTC) Employee Retirement Plan's Actuarial Valuation as of July 1, 2024 (Anne Harper and Alice Alsberghe with Cheiron Inc., and Mike Thompson)

Mr. Thompson, Anne Harper and Alice Alsberghe with Cheiron Inc. presented on SDTC Employee Retirement Plan's Actuarial Valuation as of July 1, 2024. They outlined: the background plan contributions for Fiscal Year 2025-2026 (based on 2024 Actuarial Valuation), plan history plan projections, and staff's recommendation.

Public Comment

KC Gupta – A High School student made a verbal statement to the Board during the meeting. KC highlighted the financial struggles of bus riders, criticizing MTS for facing significant losses while planning to cut bus services and urged a reevaluation of how funds are allocated.

Committee Comment

Board Member Elo-Rivera acknowledged past Board discussions about the potential benefits of reopening the pension system. He inquired about the extent to which reopening the plan could provide more certainty for future contributions, recognizing that risks were involved, and asked if increasing contributions by having more members in the system would be beneficial for the agency in the long run. Ms. Harper explained that reopening the plan would allow more people to contribute, but it would not change the overall dollar amount that employers are already paying to cover unfunded liabilities. Contributions from new members would only cover their own benefits under the current setup, which is a closed plan. Ms. Harper clarified that more contributions could only increase the overall payroll for the system, leading to a potential increase in funding, but the structure of the current plan would not change significantly.

Board Member Elo-Rivera then asked if more contributions from new members could help reduce the financial risk associated with the system, and if this would change the contributions required from the agency itself. He sought to understand how the contribution system worked and whether the risk would be mitigated by having more people contributing to the plan. Ms. Harper clarified that while more contributions could help cover the benefits of new members, the contributions would not reduce the overall risk for the system. She explained that the system's current assets were far greater than the contributions coming in, and that adding more members would increase the system's risk over time. The risk comes from the growing complexity and the larger number of benefits to manage, not from the level of contributions alone.

Sharon Cooney, MTS Chief Executive Officer, explained that the insourcing study would be necessary to fully understand the dynamic effects of such changes on the plan's long-term stability. Ms. Harper responded, acknowledging that if new members were added, they would only cover part of their benefits, with the employer covering the remaining portion. Ms. Alsberghe emphasized that the agency would need to adjust its actuarial calculations to account for the new members' contributions and ensure the plan's financial stability. She further clarified the funding policy, noting that the plan's methodology would differ if it were an open plan, with a longer timeframe to pay off annual experience gains and losses. She confirmed that the current policy's focus on reaching full funding by a fixed date creates a more volatile funding situation. Board Member Elo-Rivera highlighted that the system relies on drivers to provide service, as riders cannot access transportation without them. He emphasized that the payments made to drivers were commitments kept for work performed, often at lower wages compared to the private sector. Board Member Elo-Rivera expressed a commitment to ending the practice of blaming public employees for receiving promised benefits, which they believed had harmed public employment in the City of San Diego and nationwide.

Vice Chair Goble asked for clarification on the spike in contributions and the plan's future savings. Ms. Harper clarified that although assets continue to be smoothed over time, any gains or losses must be accounted for within one or two years, as the payment period becomes shorter as the end date approaches. Vice Chair Goble recognized that after 12 to 14 years, the savings from the plan would be less significant, and suggested that ongoing contributions might not be the main solution to reducing the agency's deficit in the long term.

Chair Whitburn asked about how the agency's 6% discount rate compared to other agencies in California. Ms. Harper replied that most plans use a higher rate around 6.75%, though the agency's lower rate was due to its risk profile.

Action Taken

Board Member Elo-Rivera moved to receive the SDTC Employee Retirement Plan's (Plan) Actuarial Valuation as of July 1, 2024 and forward a recommendation to the MTS Board of Board Members to adopt the pension contribution amount of $21,231,465 for fiscal year 2026. Vice Chair Goble seconded the motion, and the vote was 6 to 0 in favor with Board Member Vaus absent.

6. Comprehensive Operational Analysis (COA) & Potential Ballot Measure (Brent Boyd)

Brent Boyd, MTS Director of Planning and Scheduling, presented on COA & Potential Ballot Measure. He outlined: the background, history, timing, Planning Scenarios of the COA, project management, tasks, timeline, potential ballot measure and recommendations.

Public Comment

Alex Wong – Provided a verbal statement to the Board during the meeting. Alex suggested lowering the voter approval threshold for a transit ballot measure and prioritizing funding for improving existing services over long-term projects.

KC Gupta – Provided a verbal statement to the Board during the meeting. KC urged for an independent audit of MTS operations to find savings and improve public transit services without cutting routes, stressing the importance of efficiency and transparency for the future of San Diego's transit system.

Carolina Martinez – Representing Environmental Health Coalition, made a verbal statement to the Board during the meeting. Carolina expressed support for the MTS ballot measure, emphasized the importance of community involvement in the analysis process, and called for an accelerated timeline to ensure the measure's passage in 2026.

Ansermio Estrada – Representing the Building Construction Trades Council, made a verbal statement to the Board during the meeting. Ansermio expressed support for the ballot measure, highlighting the need for increased investment in public transit services to better support communities and workers, particularly along the Blue Line in Chula Vista and National City.

Carol Kim – Representing the San Diego County building and Construction Trades Council, made a verbal statement to the Board during the meeting. Carol expressed support for a ballot measure to address budget shortfalls, advocating for increased transit services, infrastructure improvements, and expansion, especially in growing areas like South Bay and Chula Vista.

Committee Comment

Board Member Elo-Rivera emphasized the importance of involving a broad coalition of stakeholders, including labor and community-based organizations, in the conversation, similar to previous efforts. He noted that while the timeline was shorter, MTS should strive to maintain public participation and build on the coalition they had sustained through the pandemic. Board Member Elo-Rivera also raised concerns about focusing solely on a sales tax as the solution. He suggested that while it was a common option, other potential revenue sources should be explored, particularly those less impactful to working families. Board Member Elo-Rivera proposed making the recommendation more open-ended by replacing "sales tax" with "revenue," and emphasized that the decision should be informed by data to ensure the best outcome for the community. Ms. Cooney explained that the reason a sales tax measure was being proposed was due to the lead time required to implement it, as it would necessitate procuring services for polling and focus groups. She noted that to assess its feasibility, MTS would need to have services in place by the upcoming summer.

Ms. Cooney shared that during a recent meeting, part of the Transit Transformation Task Force discussed various revenue options, including the potential to develop and transfer property rights. While these ideas were considered valuable, Ms. Cooney clarified that they were not proposing them at this time.

Karen Landers, MTS General Counsel, clarified that the revenue option within the MTS Board's sole control was a retail and sales tax measure. She emphasized that the motion merely sought authorization for staff to conduct due diligence and gather the necessary information, with any decisions on pursuing the measure deferred until March 2025 at the earliest. She further explained that consultants would be hired for data collection, but no decisions regarding the ballot would occur until the March to May 2026 timeframe. Additionally, while there was potential for discussions on other tax measures with county partners, the immediate goal was to obtain direction from the Board on whether to proceed with hiring a consultant for data collection.

Board Member Montgomery Steppe expressed complete agreement with the necessity to not make decisions in isolation. She emphasized the importance of understanding voter sentiment, evaluating both successful and unsuccessful measures, and ensuring effective communication. Board Member Montgomery Steppe noted the need for MTS to demonstrate its commitment to the public to gain broader support. She also highlighted the urgency of addressing the fiscal cliff while being realistic about the timeline and potential challenges, stressing that options should remain open to increase the likelihood of success. Board Member Montgomery Steppe stressed that without considering all factors, including the potential impacts of federal decisions, MTS risked alienating the public, making it more difficult to pass future measures. She concluded by suggesting that engagement with young adults and creative outreach strategies would be key, while also recommending learning from past measures to improve future efforts.

Vice Chair Goble pointed out that it was impossible to make all the proposed cuts and still maintain a robust transit system, highlighting the need for new revenue sources. Vice Chair Goble then asked about the 7% ridership gain in 2007, seeking clarification on what led to this significant increase following the 2007 study and into 2017. Ms. Cooney explained that the first COA aimed to build a demand-driven system, taking over legacy bus systems that were not designed for maximum ridership. In 2007, MTS implemented a network based on where people were traveling to and from. It was a strategic network. The new system effectively met demand and resulted in increased ridership by focusing on routes people wanted to use. Vice Chair Goble asked if in 2017 there were noticeable changes. Mr. Boyd replied there was an increase and it was then curtailed by the impacts of COVID-19.

Vice Chair Goble asked about a state sales tax initiative. Ms. Cooney mentioned that one recommendation from the Transit Transformation Task Force was to have the state authorize a doubling of the Transportation Development Act (TDA). They also discussed other options, including local measures such as transferring development rights, which would require changes to local initiatives, such as ordinances. This concept involved using air rights over properties, selling them to developers, and generating revenue from that sale. These ideas would be explored further once the task force report was completed in the Fall. Vice Chair Goble emphasized the importance of realistically understanding the challenge of securing voter approval, particularly for a two-thirds vote. He noted that adding an additional half-cent sales tax would be a significant hurdle for voters to accept. Vice Chair Goble also highlighted the sentiment among some voters who believed that everyone should contribute to the solution. He pointed out that fares hadn't been increased since 2009, despite significant budget growth. Vice Chair Goble suggested that including a fare study and recommendations in the motion could help address voter concerns and improve the chances of achieving the required support for the ballot proposition.

Board Member Elo-Rivera asked to clarify that the fare study would help inform their decisions. Vice Chair Goble confirmed, and he explained that raising fares could lead to losing riders, creating a downward spiral, but if revenue from fares were increased, it could lead to expanded routes and service frequency. Vice Chair Goble requested a separate fare study to understand the impact better. He emphasized the importance of determining the appropriate fare levels to ensure the services needed are provided without negatively affecting ridership.

Board Member Elo-Rivera expressed support for the fare study, noting he was not opposed to it. He suggested that a good polling firm, using data from previous polls, could help understand whether the fare increase would have a positive impact. Israel Maldonado, Director of Fare Technology & Operations explained that the fare study process involves contracting a consultant with SANDAG to develop fare packages in collaboration with regional partners like NCTD and MTS. These packages would include ridership forecasts and revenue estimates. The process, including procurement, development, analysis, and public outreach and would take about 12 months to complete. Ms. Cooney added that the process would require joint San Diego Association of Governments (SANDAG) and North County Transit District (NCTD) Board approvals.

Board Member Fernandez expressed support for exploring various revenue streams, including a potential fare increase and a ballot measure. He raised a question regarding the COA, asking whether it considered increasing routes to support development in specific areas, particularly around the Bayfront, acknowledging a potential personal bias due to the area's ongoing development. Mr. Boyd explained that they would be evaluating two different scenarios: one involving service reduction if additional funding wasn't secured, and the other focusing on service enhancement, with hopes of dramatically increasing service. He clarified that the analysis would also include a comprehensive look at the entire service area, considering factors such as demographic changes, ongoing development, and shifts in travel patterns.

Chair Whitburn expressed support for the idea raised by Board Member Elo-Rivera about exploring alternative revenue sources. He asked if changing a sales tax measure to a revenue measure would affect the ability to explore options for pursuing a sales tax measure. Ms. Cooney confirmed the revised direction to staff would be inclusive enough to do so. Chair Whitburn clarified that the COA was due in November 2026 and would inform decisions regarding potential revenue changes. He asked if an analysis would provide preliminary information to help communicate to the public how additional revenue could be used. Mr. Boyd further explained that as part of the COA, significant public outreach would occur to gather feedback on service enhancements, with the aim of using this feedback for future communication with the public. He mentioned that the Marketing Department was already preparing tools to reach out to the public for their input. Chair Whitburn inquired about the possibility of a 55% ballot measure and how it would be handled alongside other measures on the 2026 ballot, noting that it would pass with either a two-thirds or 55% majority, depending on the adopted threshold.

Chair Whitburn also asked about the financial scenarios being explored, specifically questioning why a revenue increase of up to $300 million wasn't being considered. Mr. Boyd explained that with a $300 million ballot measure, the funds would be distributed across various areas, such as fare increases, security, and infrastructure improvements. He clarified that the $75 million figure currently discussed was an estimate specifically for existing network enhancements, and the $300 million would cover a broader range of needs. Ms. Cooney added that for the 2020 Ballot measure, allocations were divided up into thirds between three priority topics including network enhancements, capital projects, and other areas like fare programs.

Action Taken

Board Member Elo-Rivera moved to 1) Pursue a COA, to be completed by November 2026; and 2) Begin preliminary efforts on researching the feasibility of placing a transit revenue measure, for the MTS service area only (or parts thereof), on the ballot for the November 2026 general election; and 3) Work with SANDAG and NCTD to conduct a fare study regarding potential impacts of a fare increase. Board Member Montgomery Steppe seconded the motion, and the vote was 6 to 0 in favor with Board Member Vaus absent.

7. Structural Budget Deficit Planning (Gordon Meyer)

Gordon Meyer, MTS Manager of Financial Planning, presented on the Structural Budget Deficit Planning. He presented on: meeting overview, Operating Budget Development Process, total operating: revenues, expenses, activities, FY 25 forecast revenue less expenses, assumptions, 5-year forecast revenue less expenses, upcoming challenges, potential solutions, recommended strategy, 5-year forecast revenues less expenses and staff's recommendation.

Public Comment

Alex Wong – Provided a verbal statement to the Board during the meeting. Alex suggested shifting service from low ridership, subsidized routes to high ridership routes, which would increase ridership and fare revenue without raising costs.

Cori Schumacher – Representing IBW 569 made a verbal statement to the Board during the meeting. Cori encouraged the Board to prioritize funding for the transition to zero-emission buses (ZEB) and expressed support for community partners who were affected by pollution from traditional buses and urged the Board to ask staff for additional options.

KC Gupta – Provided a verbal statement to the Board during the meeting. KC urged the Board to eliminate the deficit through efficiency and savings, advocating for an independent audit to restore trust and improve operations without cutting services, citing examples from Los Angeles and New York.

Ansermio Estrada – Provided a verbal statement to the Board during the meeting. Ansermio urged the executive committee to find additional solutions to the deficit, emphasizing the need to invest in and build out infrastructure to improve services and avoid backsliding.

Manny Rodriguez – Representing City Heights Community Development made a verbal statement to the Board during the meeting. Manny expressed relief that there were no transit cuts, but urged the Board to prioritize transit-dependent communities if cuts were to occur and to work towards lowering the two-thirds ballot measure threshold to 55%.

Committee Comment

Board Member Montgomery Steppe acknowledged the difficult position they were in. She sought clarification about the reasoning behind proposing the Innovative Clean Transit (ICT) off-ramp and the delay of Blue Line service enhancements, asking if they were simply meant to buy time or part of a longer-term strategy to address fiscal challenges. She also questioned if the decisions were made with the understanding of possible future funding from measures on the last ballot or with the recognition of the fiscal cliff. Ms. Cooney replied that this was a temporary tactic to allow staff to pursue long-term, sustainable funding security.

Board Member Montgomery Steppe continued by discussing the possible consequences of moving forward with the ICT offramp and the service enhancement delays, particularly on the Blue Line. She expressed concern that delaying service enhancements could harm the system's long-term growth, especially if a ballot measure was pursued in the next two years. She asked for further details on the estimated annual cost of the proposed service improvements, specifically the reduction in Blue Line wait times. Mr. Meyer estimated the cost for both service changes combined is approximately $6 million per year, with $3 million allocated for the recent January change to 15-minute service and another $3 million for the proposed future enhancement to a 7.5-minute service on the Blue Line. Ms. Cooney cautioned that if the necessary funding to extend to FY 2028 is not found, service reductions would begin, with a public hearing, coinciding with the timing of the ballot initiative, creating a difficult situation given the projected fiscal cliff starting in FY 2027.

Board Member Montgomery Steppe asked about the percentage of the electric bus fleet compared to the entire fleet. Mike Wygant, MTS Chief Operating Officer, responded that only about 5% of the current heavy-duty fleet was electric. He stated that 25 vehicles were currently in service, with another 13 being built, which would be operational by summer. He clarified that the proposed changes would not affect these 13 vehicles. Ms. Cooney asked Mr. Wygant what the proposal would be for the next two Capital Improvement Program (CIP) bus purchases if the ICT credits earned for early adoption were used. He explained that if the Board directed staff to move forward with the changes, they would be completing another order for 28 buses, seven of which would have needed to be battery electric under the ICT regulation. He recommended using our ICT credits instead of purchasing of battery electric vehicles as part of that order.

Board Member Montgomery Steppe requested a briefing on the impact of the Clean Transportation Advancement Campus (CTAC) on the overall infrastructure plan. She expressed concerns about the potential long-term effects on the system if the required investment was delayed and the possibility of altering state-mandated requirements. Ms. Cooney briefly explained that construction of the CTAC project relies on receiving a major federal grant and emphasized the importance of securing such funding.

Board Member Montgomery Steppe concluded by asking about the ongoing Transportation Transformation Task Force and any potential funding ideas that had been discussed, particularly regarding a statewide measure for additional transit funding. Ms. Cooney responded that there had not been much feedback on funding ideas but mentioned that discussions around improving zoning laws and joint development had taken place. She also highlighted a proposal to extend SB 125 as a way to provide additional transit funds.

Board Member Montgomery Steppe confirmed that no services would be taken away at this point, as the decisions were not final, and the community had not yet seen the results of the proposed changes. She clarified that they would not be reversing any previously made decisions but instead delaying further actions.

Board Member Dillard inquired about the security staffing mentioned on page seven, asking whether the 45 referred to 45% of capacity or if it indicated being 45% short. She clarified whether it was a percentage or a number she misunderstood. Mr. Meyer responded that 47 new security positions were authorized in FY24, and most of them had been hired. Tim Curran, MTS Director of Transit Security and Passenger Safety stated they were short by approximately 10 Code Compliance inspectors as of January, with plans to hire the remainder by March 3rd. He stated that attrition might affect the total number over the year, but they were close to full staffing. Board Member Dillard followed up by asking if the structural deficit forecast included the full capacity of 97 positions or just the current number. Mr. Meyer clarified that the wage forecast assumed full staffing, starting in January. The forecast considered the hiring of the last 10 inspectors, and savings from lower staffing early in the year were reflected in the budget. However, the second half of the year would likely align with the original staffing expectations.

Vice Chair Goble asked a question regarding slide 13, specifically the statement that zero-emission buses (ZEBs) cost 40-50% more than compressed natural gas (CNG) buses. He asked whether this referred to the capital cost of the bus purchase or the operating cost. Mr. Thompson clarified that the 40-50% difference was related to the capital cost of the bus purchase itself, not the operating cost. Vice Chair Goble then inquired about the operating costs of ZEBs compared to CNG vehicles. Mr. Wygant explained that, currently, ZEBs showed about a 25-cent improvement in operating costs when including charging versus fuel for CNG vehicles. However, he mentioned that over the life of the vehicle, this advantage might level out, as the battery's performance could degrade and require mid-life replacement. He emphasized that when considering the total cost of ownership, ZEBs and CNG vehicles were not directly comparable.

Vice Chair Goble then asked about the technology of ZEBs, specifically whether they could be considered a one-for-one replacement for CNG buses. Mr. Wygant responded that while ZEBs have infrastructure and range limitations, they could fulfill about 125 to 135 miles per day, making them suitable for around 40-47% of the routes in their system. However, for longer routes, such as the 235 route, CNG vehicles still had a clear advantage, being able to cover 500 miles a day. He explained that ZEBs could not yet replace CNG vehicles on a one-for-one basis, and for every CNG bus replaced, they would need to buy two ZEBs due to these range limitations. Vice Chair Goble acknowledged that even with additional funding, the technology still wasn't fully advanced to make ZEBs a perfect replacement for CNG buses. Mr. Wygant agreed, explaining that this issue had been discussed at the state level when amending urban fleet rules. While the technology for ZEBs was improving, with new buses expected to travel up to 175 miles, he noted that a one-for-one replacement would not be feasible soon. He concluded by stating that this was an issue all transit agencies would face.

Chair Whitburn asked staff whether there were any other alternatives considered and rejected during the process of identifying the three recommendations that staff was bringing forward. Mr. Thompson responded that they always reviewed their capital program to explore flexible dollars, but the funds were already allocated for state of good repair projects, which were not fully funded. He explained that it was difficult to shift money from capital without removing something else from the table. He clarified that they could either use capital funds for state of good repair projects or for ZEBs, but there was not enough money to do both. Mr. Thompson continued, explaining that they also evaluated their capital needs and sought operating revenue opportunities, such as advertising, digital kiosks, and downtown digital billboards. However, he noted that there were not many large revenue opportunities available. Ms. Cooney added that they were working with their concessionaire to secure more funding opportunities related to billboards and digital boards. However, she pointed out that these efforts would likely only bring in about a million dollars per year. She further emphasized that they wouldn't consider reopening any collective bargaining agreements (CBAs) to reduce costs, as they had just approved these agreements to ensure they could hire staff to operate effectively. Ms. Cooney clarified that cutting management staff was not something they would contemplate yet, as the number of potential savings would not be significant. Mr. Thompson noted that the total personnel cost for management was about $40 million per year. Ms. Cooney acknowledged that if directed, they could look at management staff cuts, but they would still need the bigger savings measures to make a meaningful impact moving forward.

Board Member Elo-Rivera asked what variables the biggest positive impact could have, especially considering the structural deficit. He wanted to know if there were any looming factors that could impact decisions in a positive way. Mr. Meyer responded that the ballot measure and potential sales tax increase, along with changes to the state budget, could be influential. Ms. Cooney added that if the state expanded the SB125 program, it could add significant funding. She mentioned that an expansion could give them more leeway, possibly adding billions to the program. Ms. Cooney elaborated that if the funding were to flow again, they could adjust their approach, such as not requesting a waiver from the ICT rules and proceeding with battery electric bus purchases as originally planned. She acknowledged that the recommendations being made were based on current numbers, but things could change, leading to potential flexibility in both directions.

Board Member Elo-Rivera clarified that he was trying to understand the sequencing of cuts and restorations, asking whether all the proposed cuts needed to be implemented simultaneously. He emphasized the importance of managing community expectations and wanted to understand the easiest areas to adjust, like service or capital improvement programs, should things trend in a positive direction. Ms. Cooney acknowledged the importance of these questions and stated that any changes would be brought back to the Board for input. She explained that the services proposed for delay had not yet been implemented, so they were easier to adjust. She also noted that these reduced service levels were linked to the lower cost of purchasing buses, and these two aspects could be reconsidered if more funding from the SB125 program became available. Ms. Cooney mentioned that funds from the previous years, such as those in the CIPs, were not being eliminated but delayed. If grants for projects started to flow again, they would pursue them. However, she expressed difficulty in predicting future funding sources and the certainty of actions. Board Member Elo-Rivera concluded by asking whether the revenue would come from the general fund or if it would be restricted for specific uses. He acknowledged the challenges in making predictions, thanked the chair, and stopped his questions.

Chair Whitburn asked about the potential pause of the ICT program. He inquired about the duration of the pause and whether it would be temporary. Ms. Cooney clarified that the pause being discussed would likely last for three fiscal years, with credits applied for two years and a possible waiver request for the third year. Mr. Wygant explained that, under the current ICT, there were two vehicle replacements planned for the year, and they still needed to place the order. He mentioned that the credits would cover 25% of the vehicle purchases for the 40-foot buses but not for the 35-foot or cutaway vehicles. He outlined that the priority would be using the credits to continue vehicle purchases for state of good repair. He further explained that if more purchases were needed, a waiver would be required for the 2026 calendar year.

Ms. Cooney confirmed that the current CNG buses being purchased were cleaner than the older models they were replacing, highlighting the environmental benefits of replacing older CNG vehicles with more efficient ones. She also noted that the ICT's intent was not to force agencies to cut service to pay for the transition, as that would have negative economic and environmental consequences.

Chair Whitburn asked staff to clarify the three recommendations being proposed and break down the estimated savings for each one. Mr. Thompson explained that the second recommendation depended on the first and involved delaying some of the zero-emission bus purchases and infrastructure projects. This delay would save on bus costs and infrastructure expenditures for a few years. He mentioned that the first phases of some infrastructure projects, such as the KMD and IAD overhead charging projects, would still be completed, but future phases would be delayed. Mr. Meyer added that the third recommendation had a smaller impact, estimating savings of $3 million annually for the trolley side and $9 to $11 million annually for the bus side. Mr. Thompson noted that while the capital savings were significant, they were dependent on the ICT and the potential to continue receiving funding. Staff concluded the financial breakdown by summarizing that, if the service cuts were implemented, they anticipated a total of $31 million in savings, with $22 million from service reductions and $9 million from the bus side. Chair Whitburn acknowledged that this would have a significant impact. He expressed understanding of the sentiment and highlighted the necessity of addressing the structural budget deficit to avoid worse alternatives. He emphasized that if the situation improved, they could quickly adjust and restore cuts, as had happened when state funding had been freed up in the past. Chair Whitburn shared his personal stance, stating that the prudent course of action was to move forward with the staff's recommendation.

Ms. Cooney assured the committee that staff would incorporate elements of today's discussion into the presentation for the Board.

Action Taken

Chair Whitburn moved to take the following actions as part of building future operational and CIP budgets: 1) Exercise Innovative Clean Transit (ICT) Off-Ramp provisions (delay implementation) to provide maximum flexibility of capital funds in the short-term while minimizing impacts to State of Good Repair (SGR) projects; 2) Shift flexible funds from the Capital Improvement Program (CIP) to the operating budget beginning in FY 2026 with the following targets by FY: $25 million in FY 2026, $35 million in FY 2027, $50 million in FY 2028 and; 3) Maintain service levels at January 2025 levels: (i) Delay future Trolley service enhancements (7.5-minute Blue Line service) in FY 2026 and beyond and revise the Senate Bill (SB) 125 funding proposal; and (ii) Delay $22 million in future planned bus service enhancements in FY 2027 and FY 2028 and revise the SB 125 funding proposal. Board Member Elo-Rivera seconded the motion, and the vote was 6 to 0 in favor with Board Member Vaus absent.

OTHER ITEMS

8. Review of Draft February 13, 2025 Board Agenda

<u>Recommended Consent Items</u>

3. Approval of Minutes
Action would approve the January 16, 2025 Board of Director meeting minutes.

4. CEO Report

5. **Imperial Avenue Division (IAD) High Pile Storage Construction – Work Order Agreement**
Action would authorize the Chief Executive Officer (CEO) to execute Work Order MTSJOC324-63 under JOC MTS Doc. No. PWG324.0-21 with ABCGC, in the amount of $408,415.52, for the replacement of high pile storage racks, and improvements to the fire sprinkler system in the IAD RAM building parts storage.

6. **Orange Line: Hitachi Switch Machines – Sole Source Contract Award**
Action would authorize the Chief Executive Officer (CEO) to execute Contract L1697.0-25 with Hitachi Rail STS USA, Inc. (Hitachi) in the amount of $542,607.45 for the purchase of switch machines.

7. **Orange Line Improvement Project: Electrified Electrocodes – Sole Source Contract Award**
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1700.0-25, a sole source award to KB Signaling Operation, LLC (KB Signaling), in the amount of $1,355,932.79 for the purchase of Electrified Electrocodes (specialized track circuit systems).

8. **Orange Line Improvement Project: Siemens Signal Instrument Components – Sole Source Contract Award**
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1698.0-25, a sole source award to Siemens Mobility, Inc. (Siemens), in the amount of $427,849.39 for the purchase of Siemens signal instrument components.

9. **Clarifier Waste Services - Contract Award**
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. PWG418.0-25 with Asbury Environmental Services, dba: World Oil (World Oil) for a five (5) year period in the amount of $381,145.19.

10. **Iris Rapid Bus Stop Construction Additional Stop at Westbound Imperial Beach Blvd and 13th Street – Change Order**
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. PWB380.2-24, with Hazard Construction Engineering LLC (Hazard Construction), in the amount of $413,092.00 for the Iris Rapid construction of Rapid 227 bus stop improvements at westbound Imperial Beach Blvd and 13th St.

11. **Broadway Rail Replacement – Work Order Agreement**
Action would authorize the Chief Executive Officer (CEO) to execute Work Order No. MTSJOC348-17, under MTS Doc. No. PWG348.0-22, with Veterans Engineering Inc. (Veterans), a Disabled Veterans Business Enterprise (DVBE), for the replacement of the outside rail on the westbound track of Broadway and Park Boulevard grade crossing in downtown San Diego in the amount of $395,747.67

12. **Operations Budget Status Report for December 2024**

13. **San Diego Metropolitan Transit System (MTS) Transit Asset Management (TAM) Plan – Fiscal Year (FY) 2025 Update**

14. **Uninterruptible Power Supply (UPS) On-Site Repair and Support – Contract Amendment**
Action would authorize the Chief Executive Officer (CEO) to: 1) Ratify Amendment No. 7 and 8 to MTS Doc. No. G2009.0-14, with Schneider Electric IT Corporation (Schneider), for the addition of South Bay Bus Rapid Transit (BRT) UPS units under service agreement, end-of-life (EOL) battery replacements and a 4-month contract extension in the amount of $117,489.66; and 2) Execute Amendment No. 9 to MTS Doc. No. G2009.0-14, with Schneider, for an additional 4-month maintenance service extension in the amount of $ 62,836.00.

15. **Agenda Item Number Reserved**

Committee Comment

Board Member Montgomery Steppe asked that the DBE policy changes and the discussion item be consolidated into one discussion item.

9. **Other Staff Communications and Business**

There was no Other Staff Communications and Business discussion.

10. **Committee Member Communications and Other Business**

There was no Committee Member Communications and Other Business discussion.

11. **Next Meeting Date**

The next Executive Committee meeting is scheduled for March 6, 2025, at 9:00 a.m.

12. **Adjournment**

The meeting was adjourned at 12:05 p.m.

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

Attachment: A. Roll Call Sheet

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

ROLL CALL

MEETING OF (DATE):	February 6, 2025	CALL TO ORDER (TIME):	9:03 a.m.
RECESS:		RECONVENE:	
CLOSED SESSION:		RECONVENE:	
		ADJOURN:	12:05 p.m.

REPRESENTING	MEMBER		EC ALTERNATE		PRESENT (time arrived)	ABSENT (time left)
Chair	Whitburn	☒	No Alternate	☐	9:00 a.m.	12:05 p.m.
City of San Diego	Elo-Rivera	☒	Whitburn	☐	9:00 a.m.	12:05 p.m.
County of San Diego	Montgomery Steppe	☒	VACANT	☐	9:08 a.m.	12:05 p.m.
East County	Vaus	☐	Hall	☐	ABSENT	ABSENT
SANDAG Transportation Committee	Dillard	☒	Fernandez	☐	9:00 a.m.	12:05 p.m.
South Bay	Fernandez	☒	Fleming	☐	9:04 a.m.	12:05 p.m.
Vice Chair	Goble	☒	No Alternate	☐	9:00 a.m.	12:05 p.m.

SIGNED FOR THE CLERK OF THE BOARD: /s/ Lucia Mansour