



## Transportation Committee Agenda

Friday, June 3, 2022

9 a.m.

Welcome to SANDAG. The Transportation Committee meeting scheduled for Friday, June 3, 2022, will be a teleconferenced/hybrid meeting in accordance with the provisions of AB 361 and Resolution No. RTC-2022-13.

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**Public Comments:** Members of the public may speak to the Transportation Committee on any item at the time the Transportation Committee is considering the item. Public speakers are generally limited to three minutes or less per person.

Persons who wish to address the members on an item to be considered at this meeting, or on non-agendized issues, may email comments to the Clerk at [clerkoftheboard@sandag.org](mailto:clerkoftheboard@sandag.org) (please reference Transportation Committee meeting in your subject line and identify the item number(s) to which your comments pertain). Comments received by 4 p.m. the business day before the meeting will be provided to members prior to the meeting. All comments received prior to the close of the meeting will be made part of the meeting record.

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**Vision Statement:** *Pursuing a brighter future for all*

**Mission Statement:** *We are the regional agency that connects people, places, and innovative ideas by implementing solutions with our unique and diverse communities.*

**Our Commitment to Equity:** *We hold ourselves accountable to the communities we serve. We acknowledge we have much to learn and much to change; and we firmly uphold equity and inclusion for every person in the San Diego region. This includes historically underserved, systemically marginalized groups impacted by actions and inactions at all levels of our government and society.*

*We have an obligation to eliminate disparities and ensure that safe, healthy, accessible, and inclusive opportunities are available to everyone. The SANDAG equity action plan will inform how we plan, prioritize, fund, and build projects and programs; frame how we work with our communities; define how we recruit and develop our employees; guide our efforts to conduct unbiased research and interpret data; and set expectations for companies and stakeholders that work with us.*

*We are committed to creating a San Diego region where every person who visits, works, and lives can thrive.*



## Transportation Committee

Friday, June 3, 2022

Item No.		Action
1.	<b>Appointment of Chair Pro-Tem</b>  The Transportation Committee is asked to select a Chair Pro-Tem for the purpose of conducting the meeting.	Appoint
2.	<b>Public Comments/Communications/Member Comments</b>  Public comments under this agenda item will be limited to five public speakers. Members of the public shall have the opportunity to address the Transportation Committee on any issue within the jurisdiction of the Transportation Committee that is not on this agenda. Public speakers are limited to three minutes or less per person. Transportation Committee members also may provide information and announcements under this agenda item. If the number of public comments under this agenda item exceeds five, additional public comments will be taken at the end of the agenda. Subjects of previous agenda items may not again be addressed under public comment.	
3.	<b>Agency Report</b> <i>Coleen Clementson, SANDAG</i>  Deputy Chief Executive Officer Coleen Clementson will provide an update on key programs, projects, and agency initiatives.	Discussion
<b>Consent</b>		
+4.	<b>Approval of Meeting Minutes</b> <i>Francesca Webb, SANDAG</i>  The Transportation Committee is asked to review and approve the minutes from its April 15, 2022, meeting.	Approve
<b>Reports</b>		
+5.	<b>Transportation Development Act: FY 2022 Productivity Improvement Program and FY 2023 Allocations</b> <i>Brian Lane, SANDAG</i>  The Transportation Committee is asked to recommend that the Board of Directors approve the eligibility of the Metropolitan Transit System and North County Transit District to receive their FY 2023 Transportation Development Act allocations of funds.	Recommend

- +6. Proposed FY 2023 Transit Agency Operating Budgets** **Approve**  
*Sandi Craig, SANDAG*  
*Larry Marinesi, Metropolitan Transit System*  
*Eun-Park Lynch, North County Transit District*

The Transportation Committee is asked to approve the North County Transit District (NCTD) and the Metropolitan Transit System's FY 2023 operating budgets for funding, with the final NCTD budget subject to approval by the NCTD Board of Directors on June 16, 2022.

- +7. San Vicente Comprehensive Multimodal Corridor Plan Update** **Discussion**  
*Melina Pereira, Caltrans*  
*Mimi Morisaki, SANDAG*

Staff will present draft transportation solution strategies for the San Vicente Comprehensive Multimodal Corridor Plan.

**8. Upcoming Meetings**

The next Transportation Committee meeting is scheduled for Friday, June 17, 2022, at 9 a.m.

**9. Adjournment**

+ next to an agenda item indicates an attachment

June 3, 2022

## **April 15, 2022, Joint Transportation and Borders Committee Meeting Minutes**

Chair Nora Vargas (County of San Diego) called the meeting of the Joint Transportation and Borders Committee to order at 9:02 a.m.

**Action: Approve**

The Transportation Committee is asked to approve the minutes from its April 15, 2022, meeting.

### **1. Public Comments/Communications/ Member Comments**

Dr. Tim Bilash, member of the public, spoke regarding the integration of trip planning tools between San Diego and neighboring counties.

Kathryn Rhodes, member of the public, spoke regarding airport connectivity and Central Mobility Hub funding and planning.

Councilmember Vivian Moreno (Metropolitan Transit System) acknowledged the historical colonization of the region's tribal lands.

Director Gustavo Dallarda (Caltrans District 11) provided an update on Caltrans programs and projects.

### **3. Otay Mesa East Port of Entry Project: Financial Strategy and Delivery Method Update (Discussion)<sup>1</sup>**

Chief Financial Officer André Douzdjian; Project Development Program Manager Maria Rodriguez-Molina; and Mario Orso, Caltrans, presented the item.

The Transportation Committee and Borders Committee were asked to discuss the Otay Mesa East Port of Entry Project financial strategy and delivery method.

Dr. Tim Bilash spoke regarding international relations within the border crossing facility.

Action: Discussion only.

### **2. Agency Report (Discussion)<sup>1</sup>**

Chief Executive Officer Hasan Ikhata provided an update on key programs, projects, and agency initiatives.

Action: Discussion only.

Chair Vargas adjourned the Borders Committee portion of the meeting at 10:34 a.m.

### **Consent**

### **4. Approval of Meeting Minutes (Approve)**

The Transportation Committee was asked to approve the minutes from its March 18, 2022, meeting.

There were no public comments on this item.

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<sup>1</sup> This item was taken out of order.

## **5. Federal Transit Administration Section 5311 Program of Projects (Recommend)**

The Transportation Committee was asked to recommend the Board of Directors approve the Federal Fiscal Year 2022/2023 apportionments of Federal Transit Administration Section 5311 Non-Urbanized Area Formula Program funds for the San Diego region.

There were no public comments on this item.

## **6. FY 2023 Transit Capital Improvement Program (Recommend)**

The Transportation Committee was asked to recommend that the Board of Directors:

- 1) Approve the submittal of Federal Transit Administration grant applications for the San Diego region; and
- 2) Adopt Regional Transportation Commission Resolution No. RTC-2022-10, in substantially the same form, approving Amendment No. 11 to the 2021 Regional Transportation Improvement Program.

There were no public comments on this item.

## **7. 2021 Regional Transportation Improvement Program Amendment No. 10 (Adopt)**

The Transportation Committee was asked to adopt Resolution No. 2022-17, approving Amendment No. 10 to the 2021 Regional Transportation Improvement Program.

There were no public comments on this item.

## **8. SANDAG Grant Programs: Quarterly Status Update (Information)**

This report provided a quarterly update on the progress and performance of projects funded through SANDAG's grant programs from October 1, 2021, through December 31, 2021.

There were no public comments on this item.

Action: Upon a motion by Councilmember Bill Sandke (South County), and a second by Councilmember Moreno, the Transportation Committee voted to approve Consent Item Nos. 4, 5, and 7, and Item No. 6 as amended.

The motion passed.

Yes: Chair Vargas, Vice Chair Raul Campillo (City of San Diego), Councilmember Jennifer Mendoza (East County), Councilmember Moreno, Councilmember David Zito (North County Coastal), Commissioner Sandy Naranjo (Port of San Diego), and Councilmember Sandke.

No: None.

Abstain: Councilmember Corinna Contreras (North County Transit District).

Absent: San Diego County Regional Airport Authority and North County Inland.

## **Reports**

### **9. FY 2021 TransNet Fiscal and Compliance Audits: Initial Findings and Recommendations (Discussion)**

Associate Accountant Marcus Pasqual; Independent Taxpayers Oversight Committee (ITOC) Chair Sunnie House; and Kyle Haas, Davis Farr, presented the item.

The Transportation Committee was asked to review the ITOC's draft independent fiscal auditor's report for any inconsistencies and technical issues.

There were no public comments on this item.

Action: Discussion only.

Chair Vargas left the meeting at 10:55 a.m., and Vice Chair Campillo assumed the role of Chair.

#### **10. FY 2021 TransNet Extension Ordinance Funding Eligibility Request (Discussion/Possible Action)**

Marcus Pasqual presented the item.

Action: Upon a motion by Councilmember Sandke and a second by Councilmember Moreno, the Transportation Committee:

- 1) Considered the TransNet funding eligibility requests of the North County Transit District, and the cities of Del Mar and San Marcos; and
- 2) Recommended the Board of Directors, acting as the San Diego County Regional Transportation Commission, approve the requests.

The motion passed.

Yes: Vice Chair Campillo, Supervisor Joel Anderson (County of San Diego) Councilmember Mendoza, Councilmember Moreno, Councilmember Zito, Councilmember Contreras, Commissioner Naranjo, and Councilmember Sandke.

No: None.

Abstain: None.

Absent: San Diego County Regional Airport Authority and North County Inland.

#### **11. Revised FY 2022 Apportionment and FY 2023 TransNet Program and Transit-Related Revenues (Recommend)**

Manager of Financial Programming and Project Control Ariana zur Nieden and Senior Economist Jim Miller presented the item.

There were no public comments on this item.

Action: Upon a motion by Councilmember Moreno and a second by Councilmember Contreras, the Transportation Committee voted to recommend that the Board of Directors approve the revised FY 2022 apportionment and FY 2023 estimates for Transportation Development Act and TransNet funds.

The motion passed.

Yes: Vice Chair Campillo, Supervisor Anderson, Councilmember Mendoza, Councilmember Moreno, Councilmember Zito, Councilmember Contreras, and Councilmember Sandke.

No: None.

Abstain: None.

Absent: San Diego County Regional Airport Authority, North County Inland, and Port of San Diego.

#### **12. Upcoming Meetings**

The next meeting of the Transportation Committee is scheduled for Friday, May 6, 2022, at 9 a.m.

### 13. Adjournment

Vice Chair Campillo adjourned the meeting at 11:31 a.m.



## Confirmed Attendance April 15, 2022, Transportation Committee Meeting

Jurisdiction	Name	Member/ Alternate	Attend Virtually
North County Inland	Mayor Judy Ritter	Member	No
	Mayor Steve Vaus	Alternate	No
South County	Councilmember Bill Sandke	Member	Yes
	Mayor Mary Salas	Alternate	No
City of San Diego	Vice Chair Raul Campillo	Member	Yes
	Councilmember Marni von Wilpert	Alternate	No
County of San Diego	Chair Nora Vargas	Member	Yes
	Supervisor Terra Lawson-Remer	Alternate	No
	Supervisor Joel Anderson	Alternate	Yes
East County	Councilmember Jennifer Mendoza	Member	Yes
	Mayor John Minto	Alternate	No
North County Coastal	Councilmember David Zito	Member	Yes
	Mayor Matt Hall	Alternate	No
Metropolitan Transit System	Councilmember Vivian Moreno	Member	Yes
	Councilmember Paloma Aguirre	Alternate	No
North County Transit District	Councilmember Priya Bhat-Patel	Member	No
	Councilmember Jewel Edson	Alternate	No
	Councilmember Corinna Contreras	Alternate	Yes
San Diego County Regional Airport Authority	Johanna Schiavoni	Member	No
	James Sly	Alternate	No
Port of San Diego	Commissioner Sandy Naranjo	Member	Yes
	Vice Chairman Rafael Castellanos	Alternate	No
<b>Advisory Members</b>			
Caltrans	Gustavo Dallarda	Member	Yes
	Ann Fox	Alternate	No
Southern California Tribal Chairmen's Association	Erica Pinto	Member	Yes
	James Hill	Member	No
Other Attendees	Matt Tucker	NCTD	No
	Sharon Cooney	MTS	Yes

June 3, 2022

## Transportation Development Act: FY 2022 Productivity Improvement Program and FY 2023 Allocations

### Overview

The Transportation Development Act (TDA) provides one-quarter percent of the state sales tax for operating and capital support of public transportation systems and non-motorized transportation projects. SANDAG as the designated Regional Transportation Planning Agency, is responsible for the allocation of TDA funds to the region's cities, county, transit operators, and the Consolidated Transportation Service Agency (CTSA).

Pursuant to California Public Utilities Code Section 99244, a transit operator can be allocated no more in FY 2023 than it was allocated in FY 2022 unless the region's transportation planning agency determines that the operator made a reasonable effort to implement the productivity improvement recommendations adopted after the last triennial TDA audit (completed in June 2019).

On April 22, 2022, the Board of Directors approved the TDA estimated apportionment of \$184.96 million for FY 2023 for the Metropolitan Transit System (MTS) (\$131.4 million) and the North County Transit District (NCTD) (\$53.5 million). The FY 2022 apportionment for MTS was \$124.7 million and \$51.1 million for NCTD.

### Key Considerations

The transit industry has faced many challenges since the outbreak of the COVID-19 pandemic. Ridership (and revenue) declined sharply in March 2020 when the Governor of California signed [Executive Order N-33-20](#) ordering Californians to stay at home. Ridership drops were on the order of 50% for most transit service and on the order of 80-90% for express and commuter services. Recognizing the effect of the pandemic on transit revenues as well as the requirements set forth in the TDA, the Governor of California signed [Assembly Bill 90](#) (AB 90) on June 29, 2020, which prohibits the imposition of penalties on transit operators who do not maintain their required ratios of fare revenues to operating costs in the 2019-2020 or 2020-2021 fiscal years. AB 149 was passed subsequent to AB 90 and it extends the exemption for another two fiscal years (2022 and 2023). MTS and NCTD have implemented ridership recovery campaigns to stem the ridership losses and the agencies are starting to see returns in ridership as seen in the positive changes in the performance metrics across the board for all services.

### Action: **Recommend**

The Transportation Committee is asked to recommend that the Board of Directors approve the eligibility of the Metropolitan Transit System and North County Transit District to receive their FY 2023 Transportation Development Act allocations of funds.

### Fiscal Impact:

Approval of the requests will allow the requesting agencies to claim and receive their full FY 2023 Transportation Development Act revenue apportionment. Denial of the eligibility request may result in a potential reduction of funding of \$6.7 million for the Metropolitan Transit System and \$2.4 million for the North County Transit District.

### Schedule/Scope Impact:

None.

### ***Operator Performance Review***

SANDAG evaluates operator effort by tracking performance measures over a rolling three-year period, as well as an annual review of actions taken by each operator to address recommendations received during the triennial audit. Based on the performance measures monitored as part of the TDA Productivity Improvement Program (Attachments 1 and 2), and the agencies responses to the audit recommendations (Attachments 3 and 4) staff has determined that MTS and NCTD have made reasonable efforts toward achieving its FY 2022 productivity improvements and should be allocated its full allocation of FY 2023 TDA funds.

### ***CTSA Performance Review***

At the direction of the Transportation Committee, SANDAG amended its contract agreement with Full Access to Coordinated Transportation (FACT), the designated CTSA for San Diego County, in June 2019 to add performance measures. FACT's FY 2022 Quarter 2 report is included in Attachment 5 as a sample of the quarterly report submissions received since FY 2020. The monitoring report shows that FACT is complying with all requirements in the agreement except for one. FACT must document the number of web hits to its "Find a Ride" page, and due to the conversion of its website to a new one expected in summer of 2022, have been unable to do so since October 2021.

### ***Next Steps***

The Transportation Committee will be asked to recommend the TDA claims to the Board at its June 17, 2022, meeting. The Board will be asked to approve both eligibility and the TDA claims at its June 24, 2022, meeting.

Pending approval of the TDA claims by the Board on June 24, 2022, the County Auditor would disburse TDA monies in accordance with the allocation instructions from SANDAG. SANDAG staff will continue to monitor the performance indicators on a quarterly basis.

### ***Antoinette Meier, Senior Director of Regional Planning***

Key Staff Contact: Brian Lane, (619) 699-7331, [brian.lane@sandag.org](mailto:brian.lane@sandag.org)

- Attachments:
1. FY 2022 Productivity Improvement Performance Measures Summary
  2. FY 2022 Productivity Improvement Performance Measure Results by Mode
  3. MTS Annual TDA Claim Form (Form B)
  4. NCTD Annual TDA Claim Form (Form B)
  5. CTSA Performance Monitoring Report FY 2022, Quarter 2

## FY 2022 Productivity Improvement Performance Measures Summary

This summary provides an overview of the Metropolitan Transit System (MTS) and the North County Transit District's (NCTD) performance through Quarter 2 of FY 2022.

Attachment 2 includes charts for each of the six performance measures by mode. In the years prior to the COVID-19 outbreak, both MTS and NCTD had worked to improve ridership after years of decline. This downward trend was not unique to the San Diego region. MTS implemented its Transit Optimization Plan, while NCTD also implemented significant service changes to increase productivity. Both agencies also looked to stabilize ridership and revenue metrics by updating the regional fare ordinance and reinvesting resources from underutilized services into more productive areas and routes with high demand.

However, with the outbreak of the COVID-19 global pandemic in early 2020, the agencies faced declines in ridership while working to protect the health and safety of their employees and riders. With the pandemic subsiding, the agencies are starting to see returns in ridership as seen in the positive changes across the board for all services.

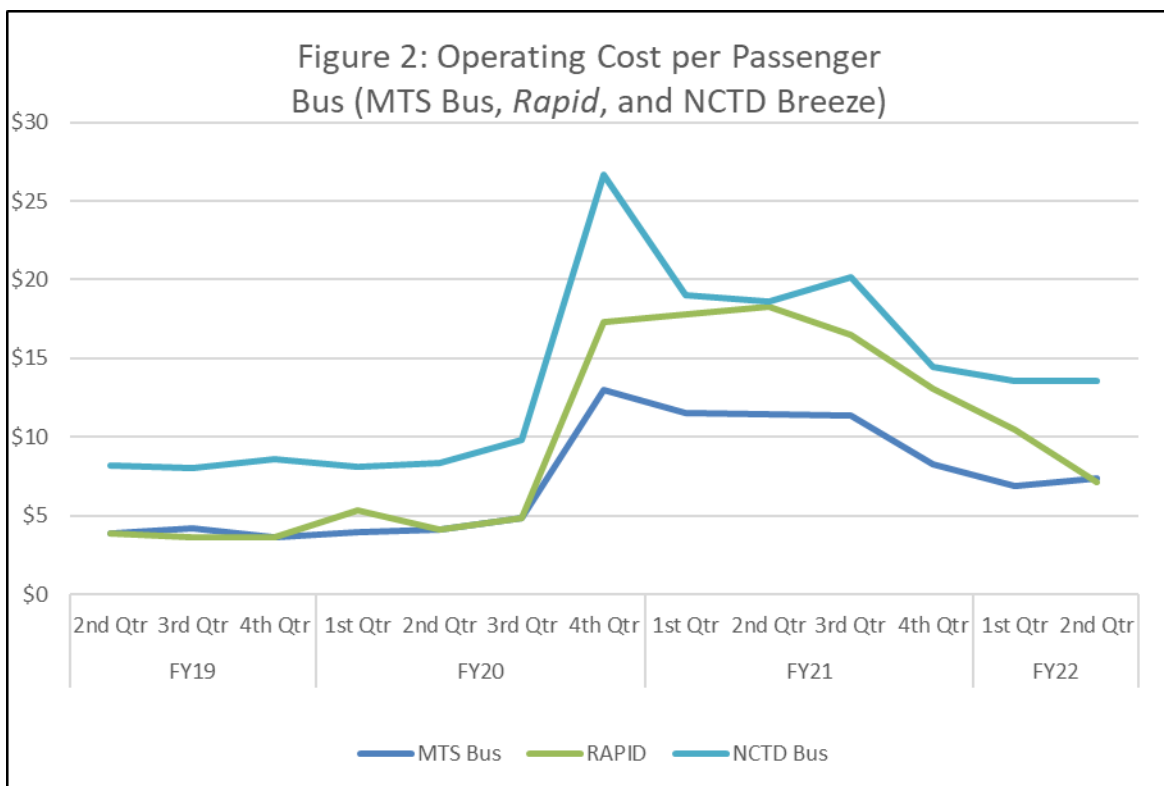
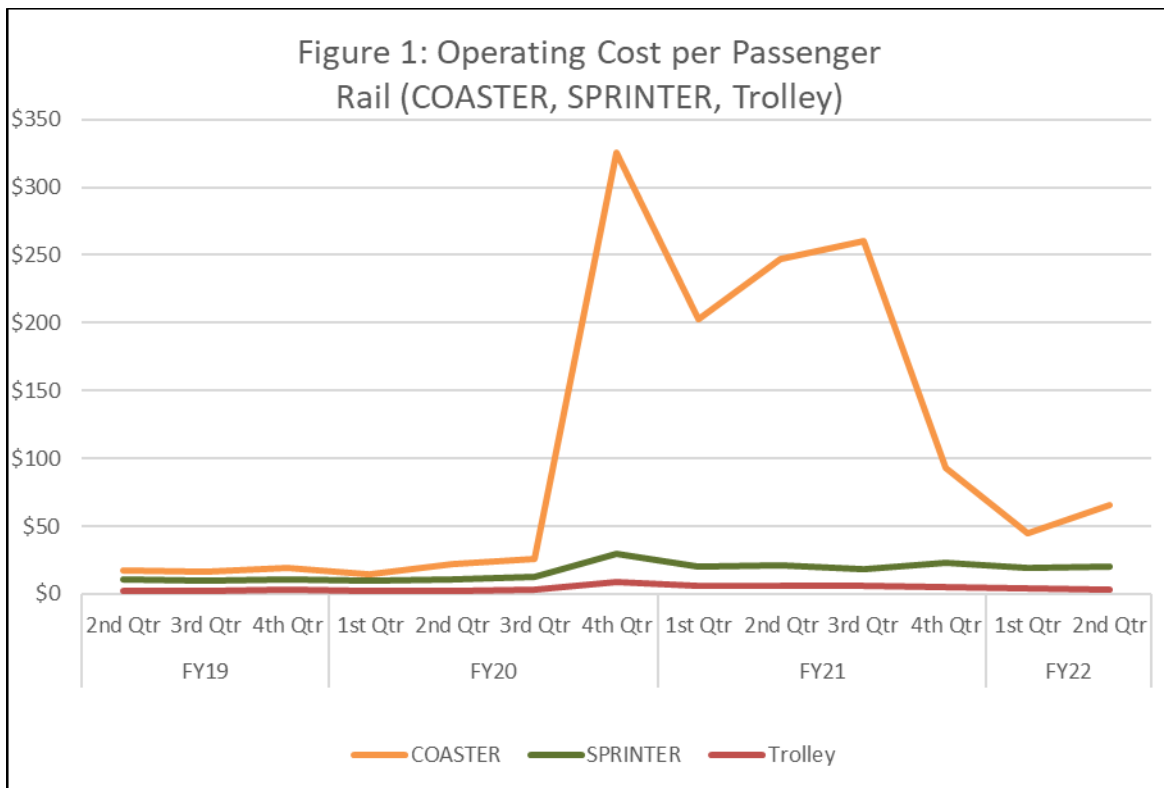
### **MTS FY 2022 Performance**

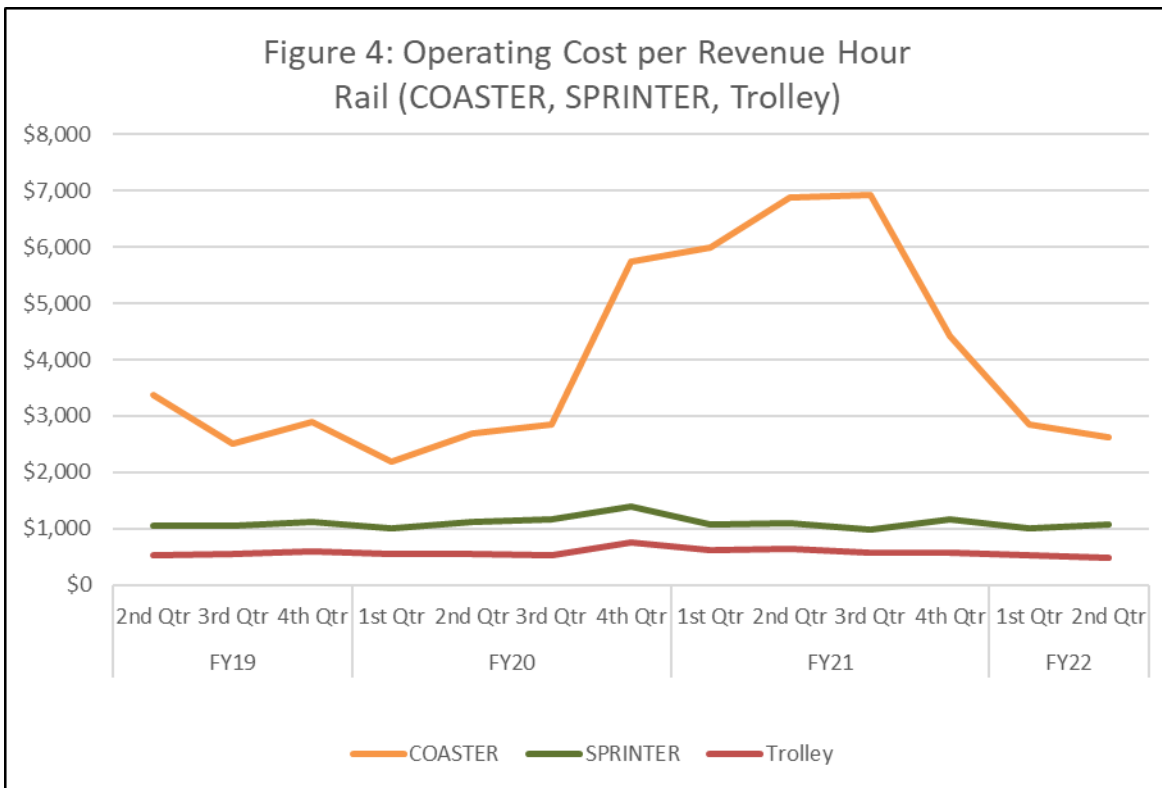
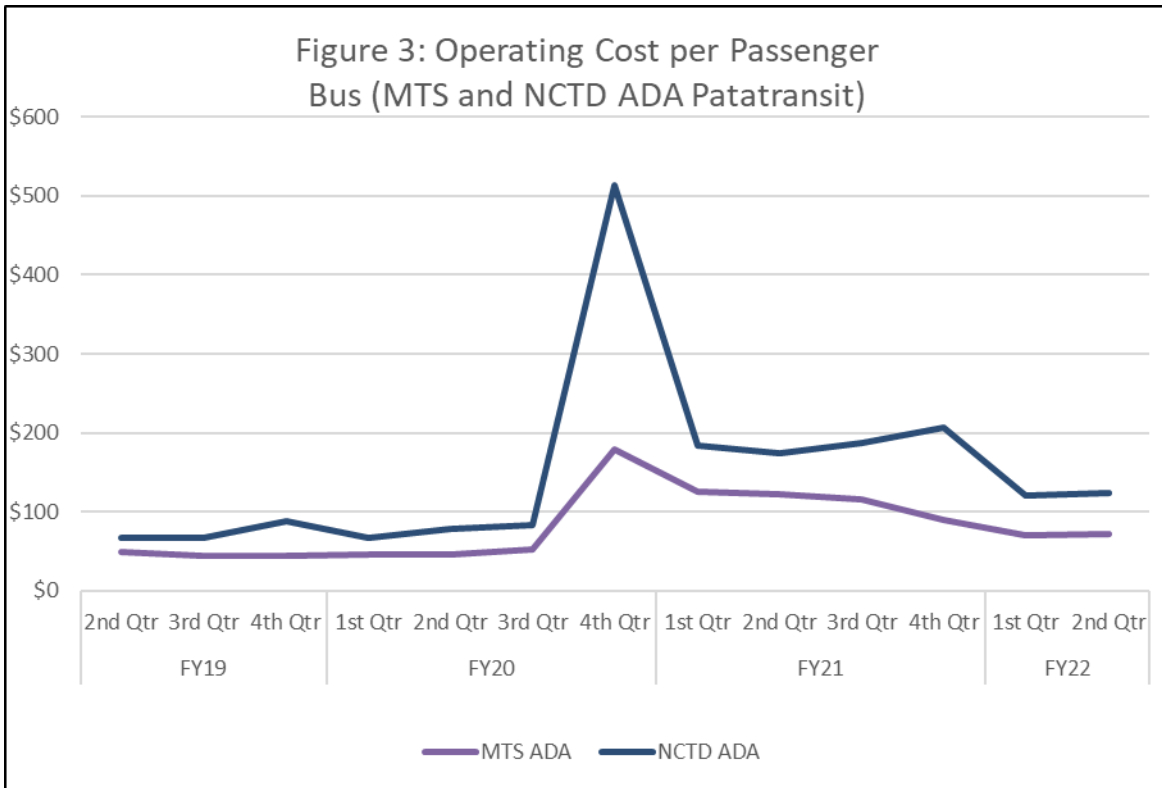
- *MTS Trolley* has seen a 43.4% decrease in the operating cost per passenger, a 25.5% decrease in the operating cost per revenue hour, a 31.6% increase in passengers per revenue hour, and a 31.9% increase in passengers per revenue mile since Quarter 2 in FY 2021.
- *MTS Bus* has seen a 35.8% decrease in the operating cost per passenger, a 16.3% decrease in the operating cost per revenue hour, a 30.3% increase in passengers per revenue hour, and a 30.8% increase in passengers per revenue mile since Quarter 2 in FY 2021.
- *Rapid* (Routes 201, 202, 204, 215, 225, 235, and 237) has seen a 61.0% decrease in the operating cost per passenger, a 14.2% decrease in the operating cost per revenue hour, a 119.8% increase in passengers per revenue hour, and a 119.1% increase in passengers per revenue mile since Quarter 2 in FY 2021.
- *MTS ADA* has seen a 41.1% decrease in the operating cost per passenger, a 38.8% decrease in the operating cost per revenue hour, a 4.0% increase in passengers per revenue hour, and a 15.3% increase in passengers per revenue mile since Quarter 2 in FY 2021.
- MTS farebox recovery rate for fixed-route services ended the quarter at 18.7%. This is below the 20.0% Transportation Development Act (TDA) minimum threshold requirement. For ADA services, the farebox recovery rate ended the quarter at 6.1%, and is also below the TDA minimum threshold of 10%.

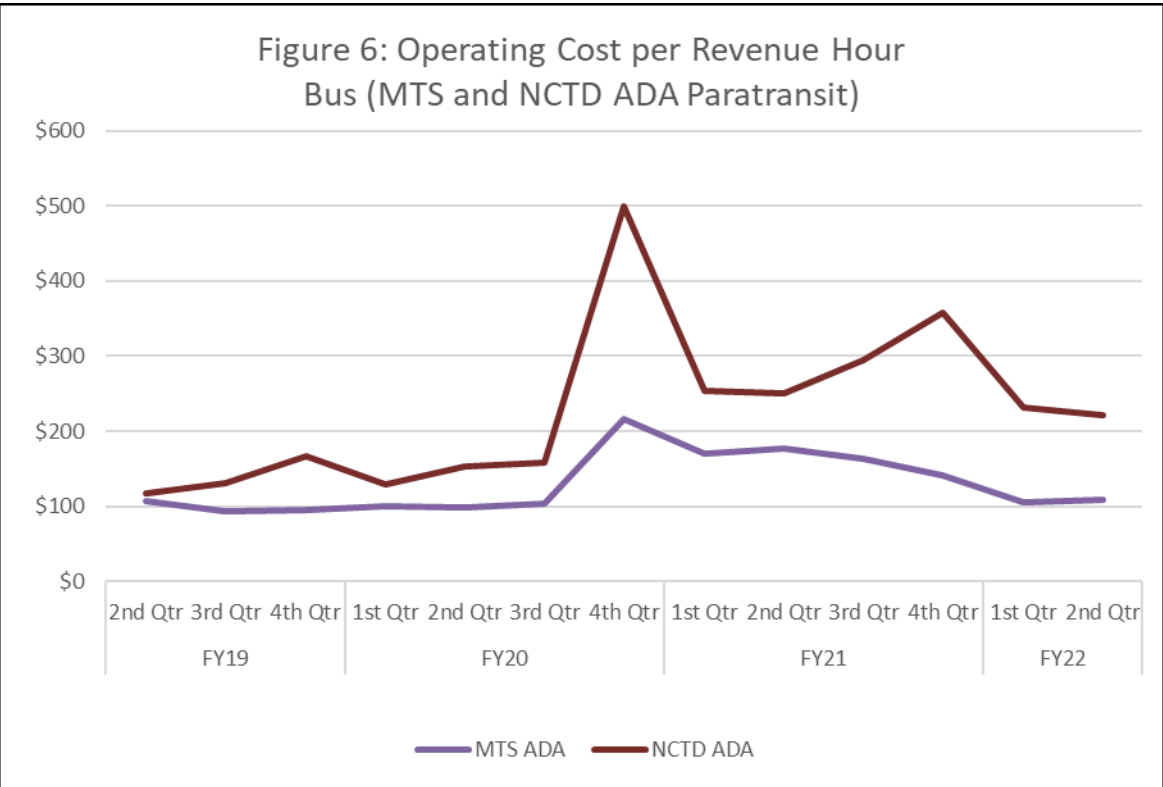
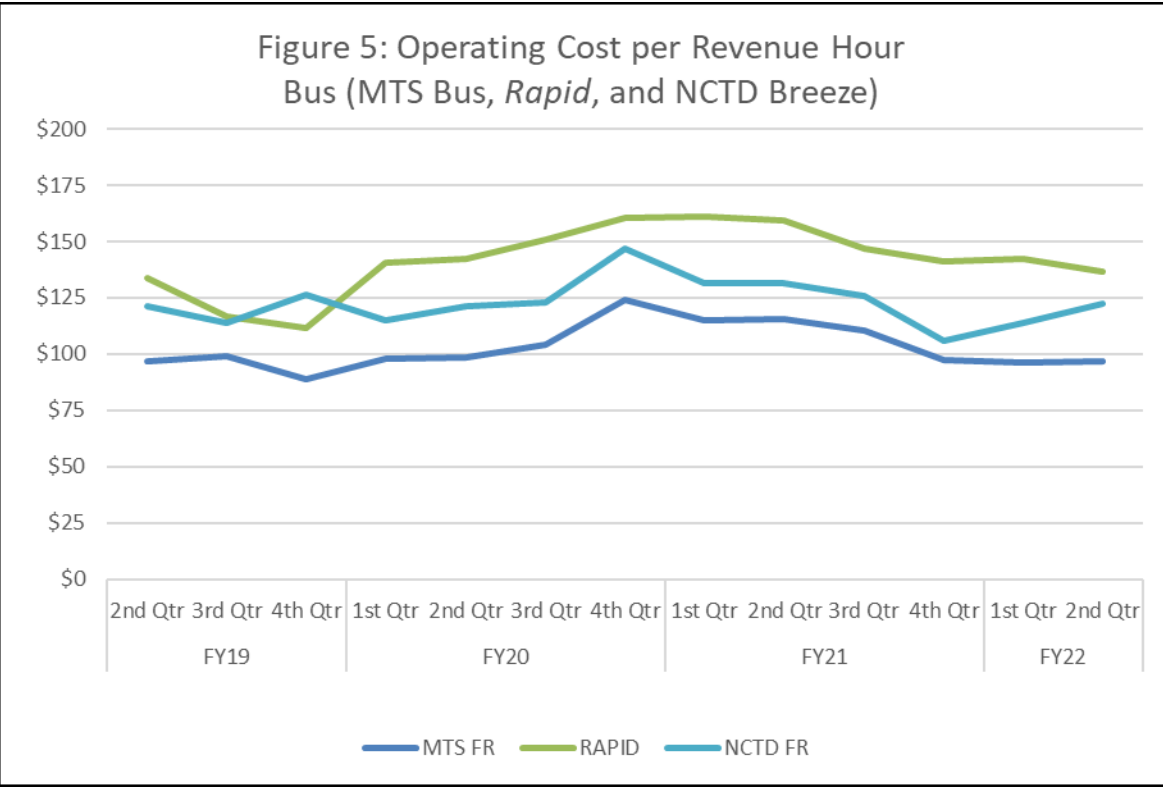
### ***NCTD FY 2022 Performance***

- *NCTD COASTER* has seen a 73.5% decrease in the operating cost per passenger, a 62.1% decrease in the operating cost per revenue hour, a 43.1% increase in passengers per revenue hour, and a 62.9% increase in passengers per revenue mile since Quarter 2 in FY 2021.
- *NCTD SPRINTER* has seen a 6.9% decrease in the operating cost per passenger, a 2.2% decrease in the operating cost per revenue hour, a 5.0% increase in passengers per revenue hour, and a 2.9% increase in passengers per revenue mile since Quarter 2 in FY 2021.
- *NCTD BREEZE* (including FLEX) has seen a 26.9% decrease in the operating cost per passenger, an 6.8% decrease in the operating cost per revenue hour, a 27.5% increase in passengers per revenue hour, and a 25.3% increase in passengers per revenue mile since Quarter 2 in FY 2021.
- *NCTD ADA* has seen a 28.2% decrease in the operating cost per passenger, a 12.0% decrease in the operating cost per revenue hour, a 22.6% increase in passengers per revenue hour, and a 26.4% increase in passengers per revenue mile since Quarter 2 in FY 2021.
- NCTD farebox recovery rate for fixed-route services ended the quarter at 6.7%, which is below the 18.8% TDA minimum threshold requirement. For ADA services, the farebox recovery rate ended the quarter at 6.7%, which is below the TDA minimum threshold of 10%.

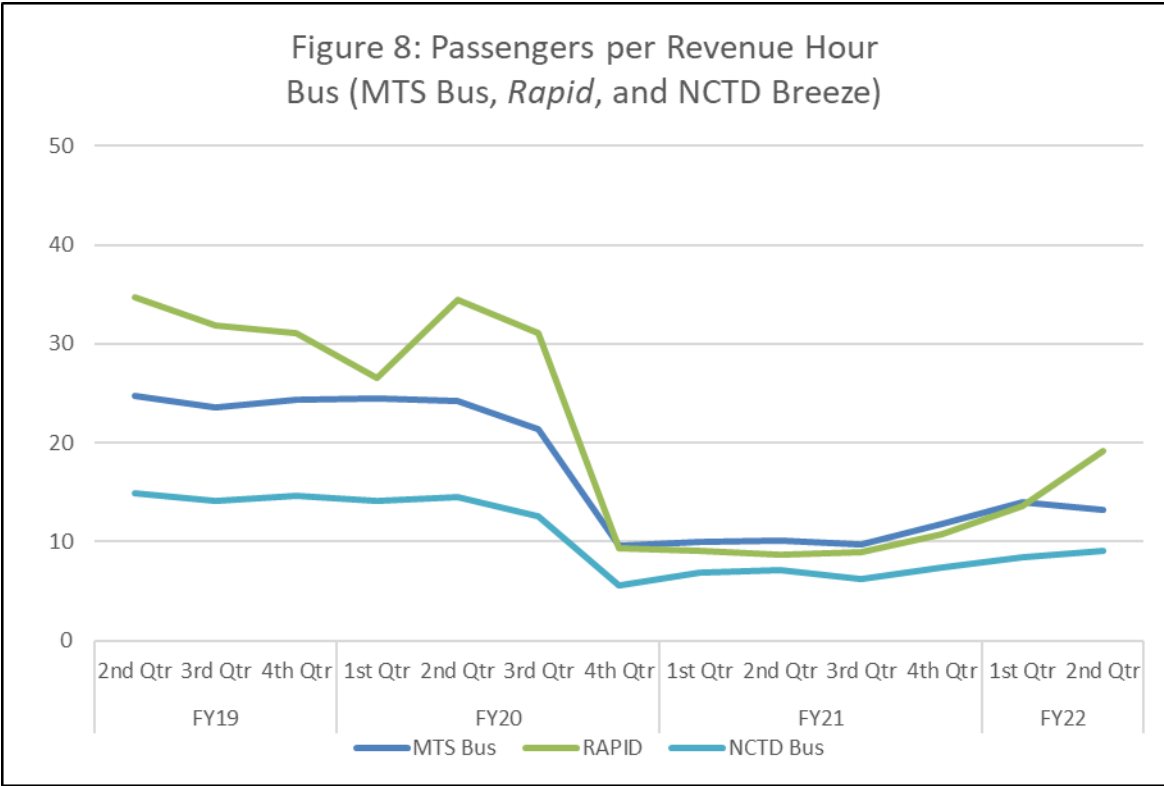
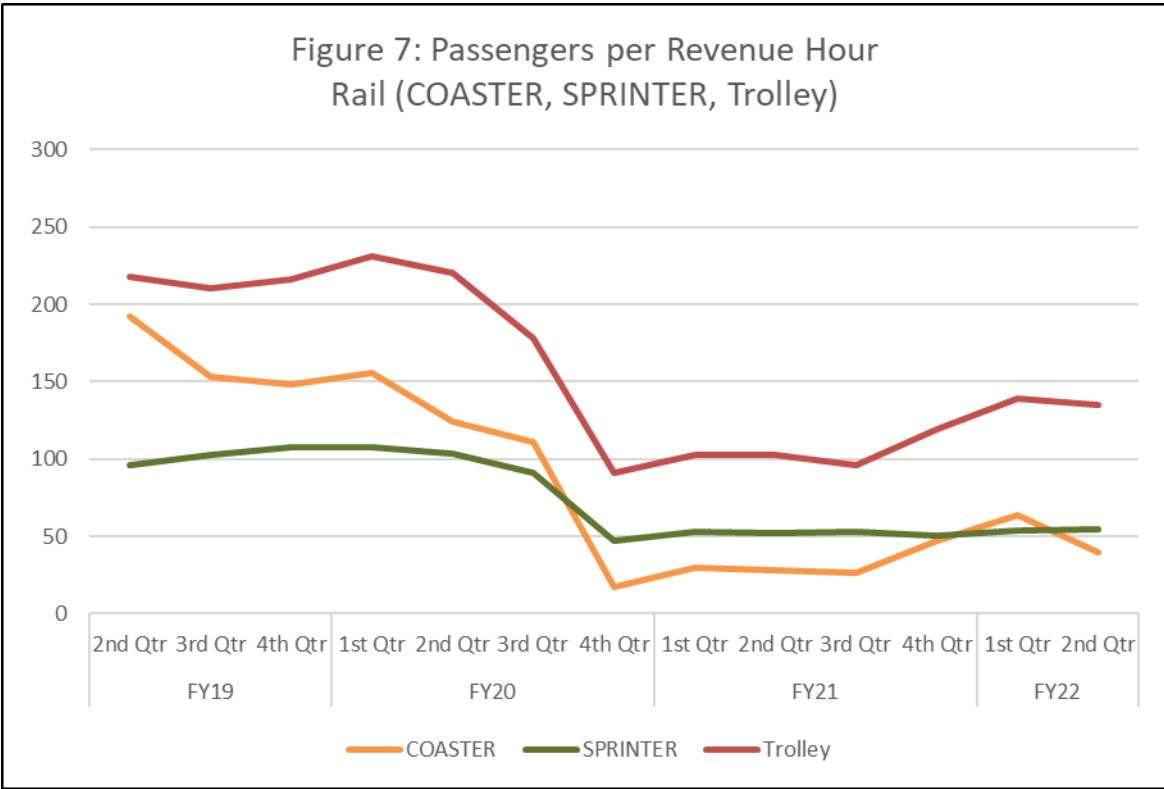
## Q2 FY 2022 Productivity Improvement Results Evaluation

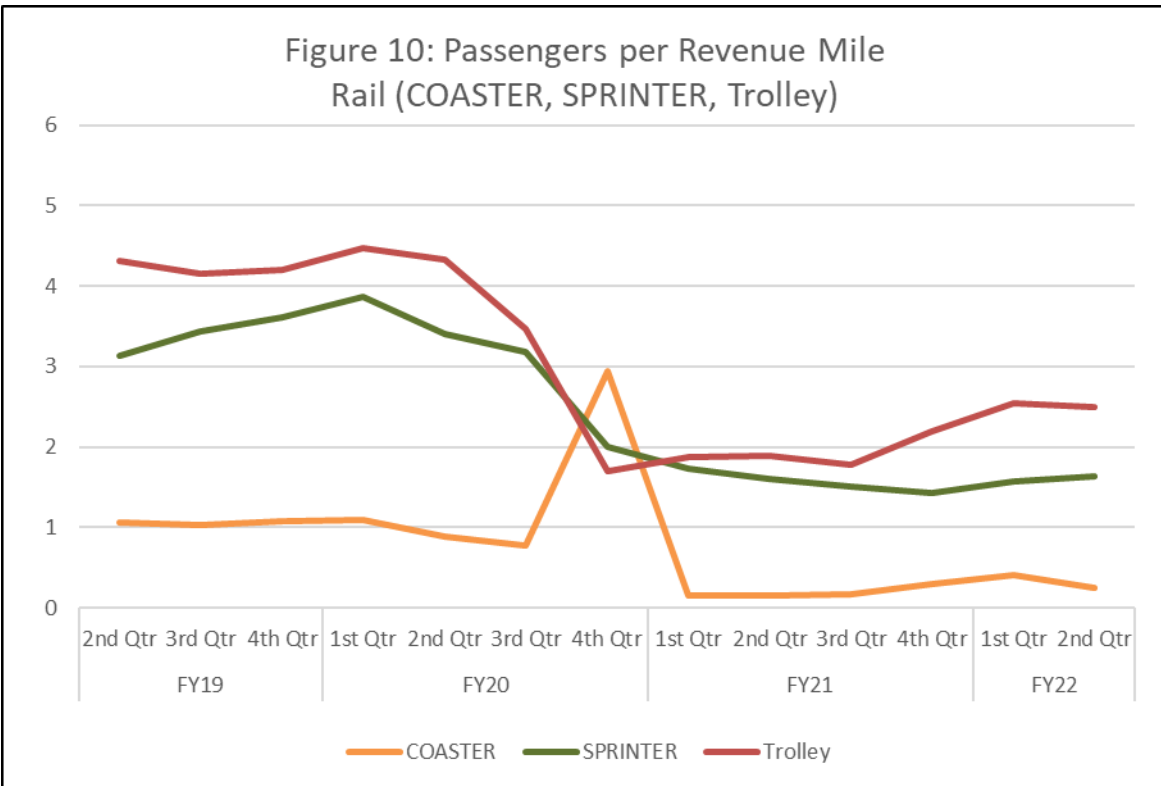
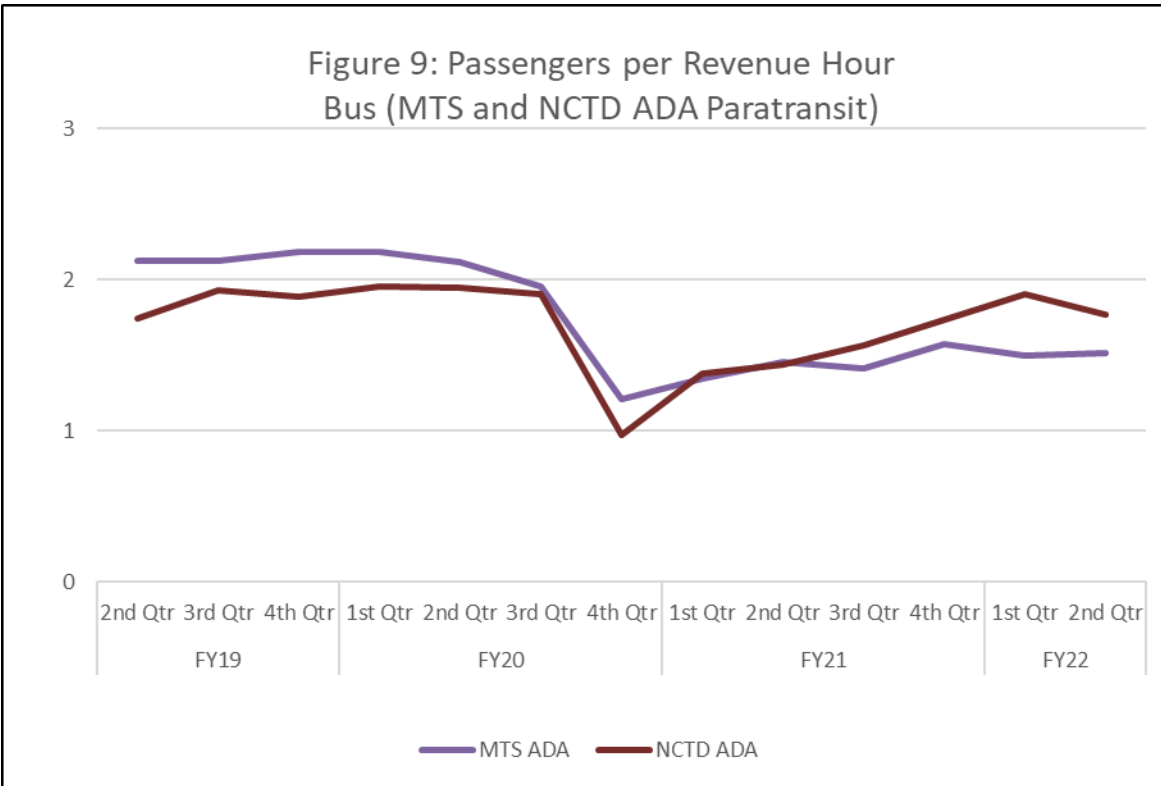


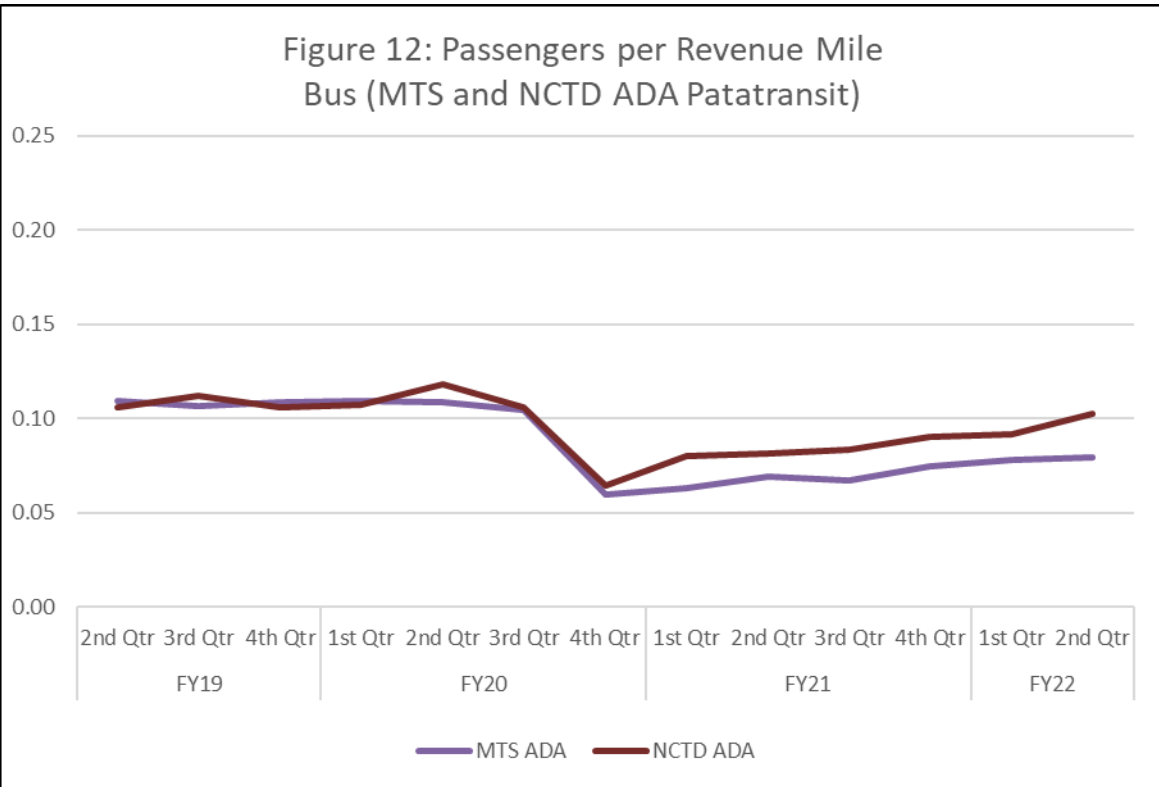
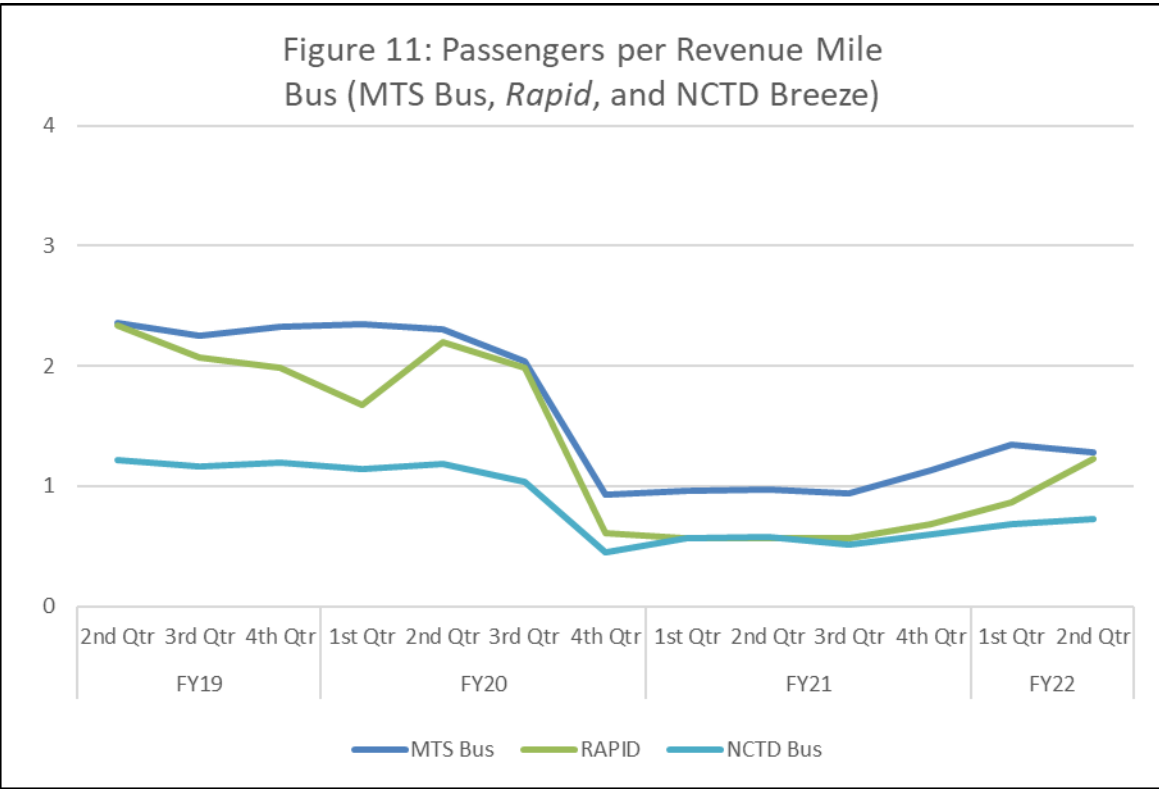












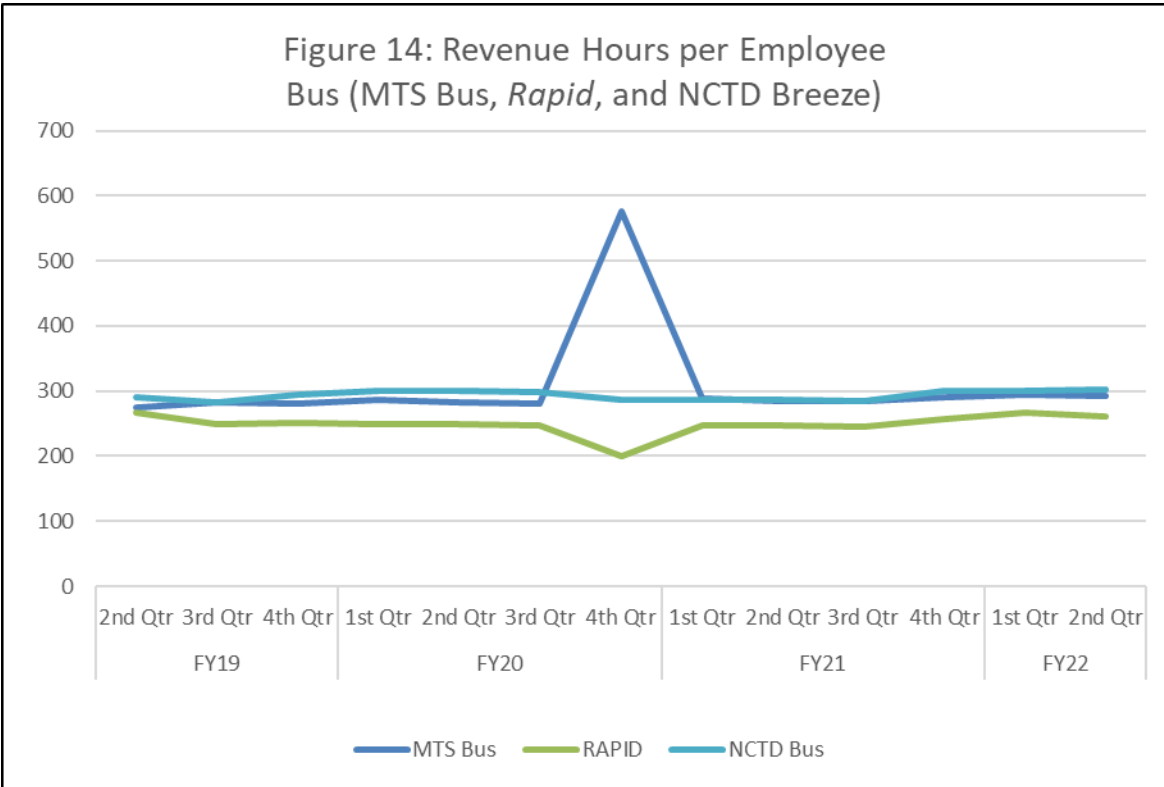
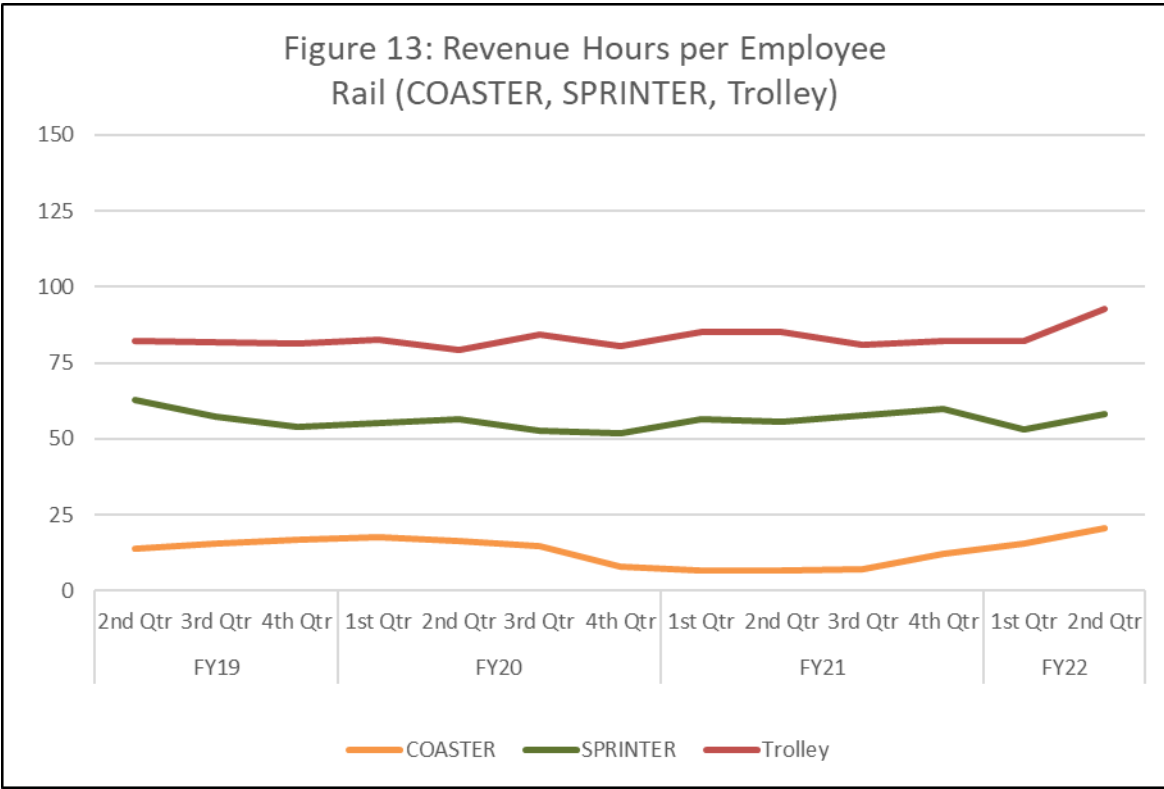


Figure 15: Revenue Hours per Employee  
Bus (MTS and NCTD ADA Patatransit)

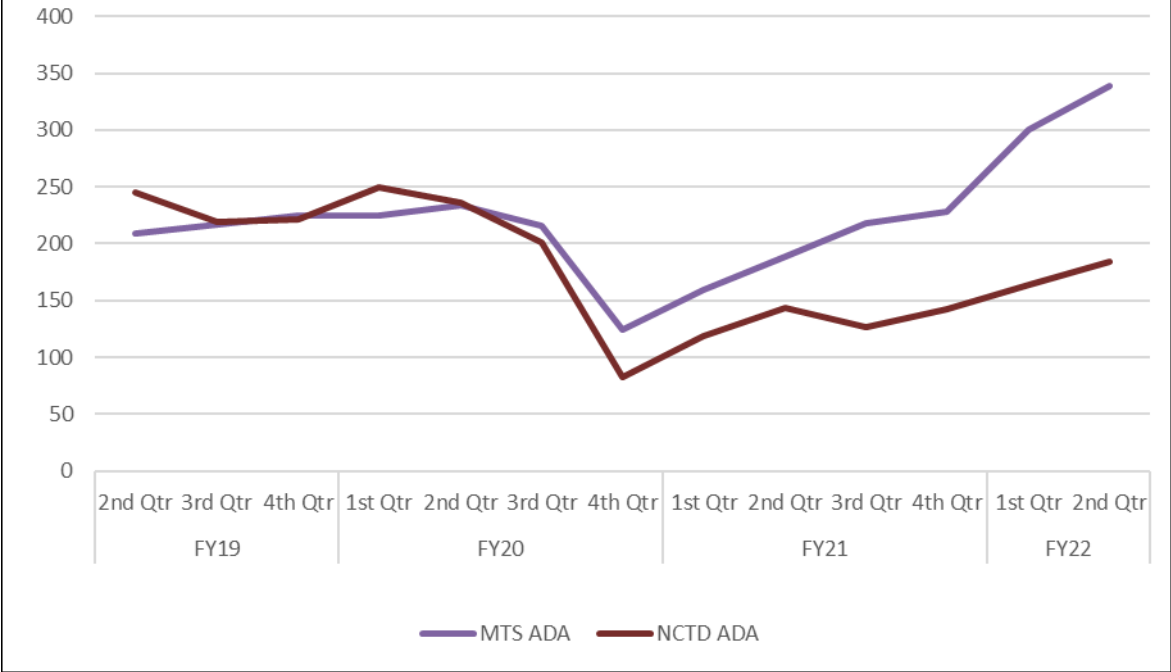


Figure 16: Farebox Recovery Ratio  
Bus and Rail (MTS Fixed Route)

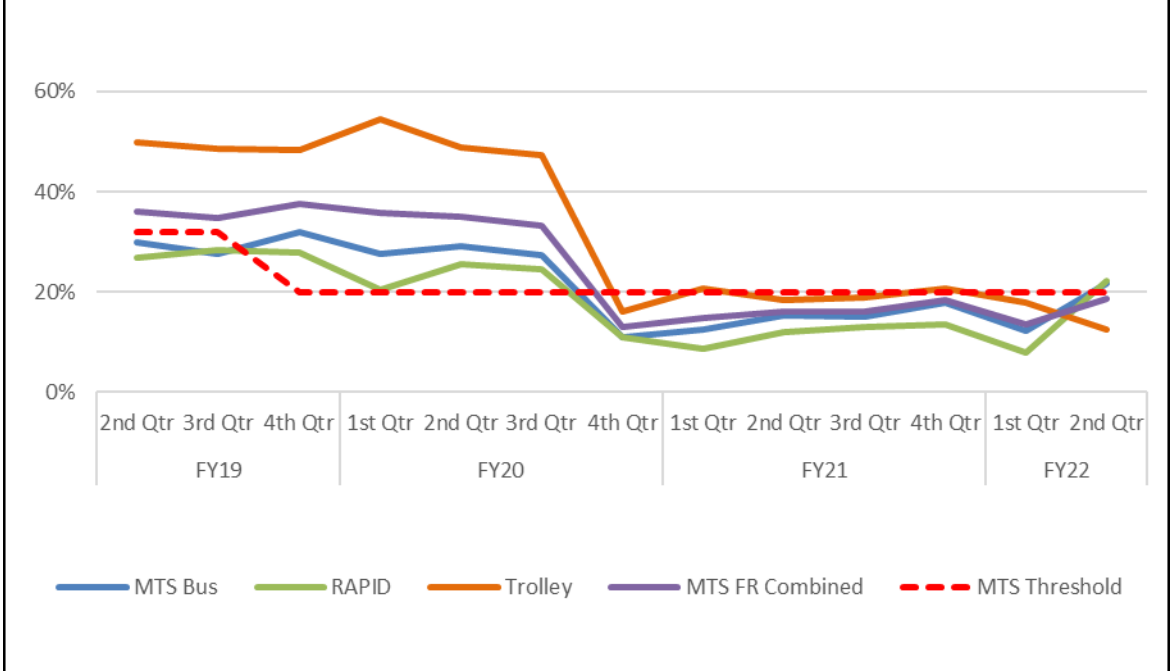


Figure 17: Farebox Recovery Ratio  
Bus and Rail (NCTD Fixed Route)

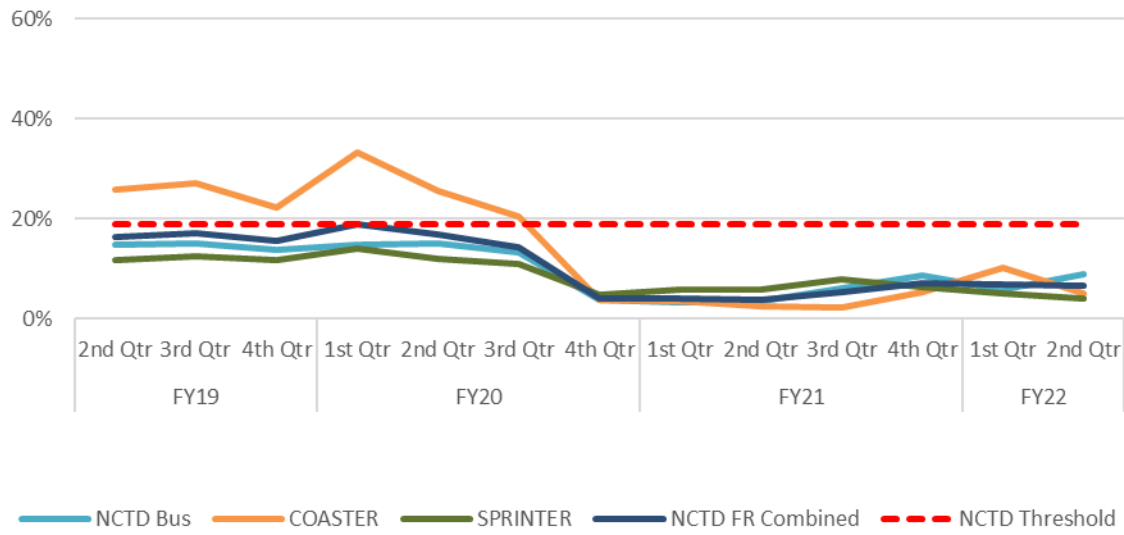
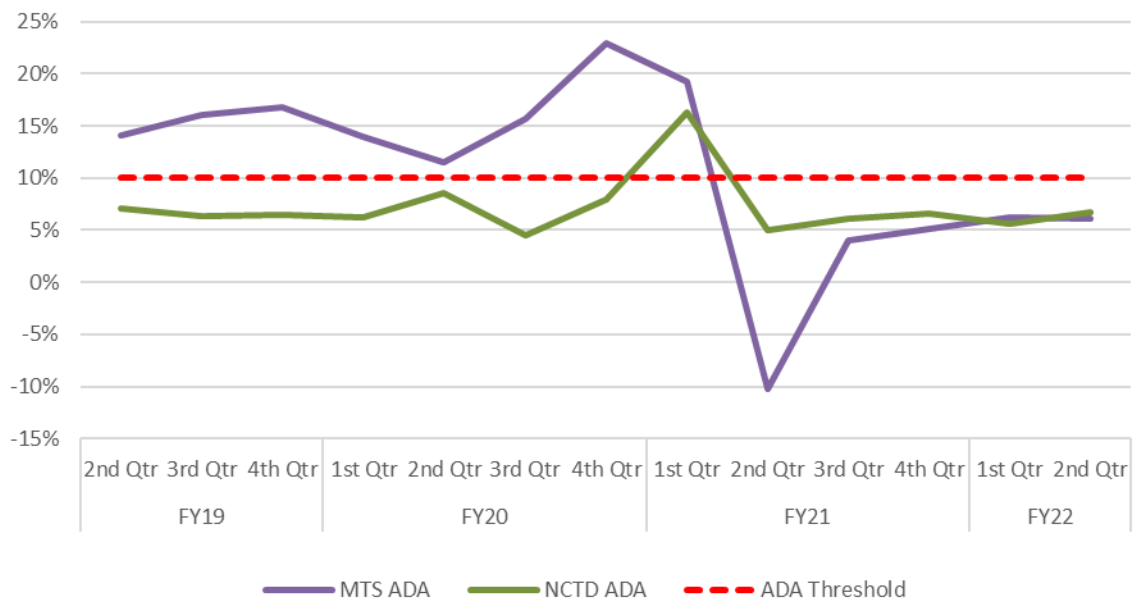


Figure 18: Farebox Recovery Ratio  
Bus (MTS and NCTD ADA Paratransit)



ANNUAL TDA CLAIM FORM

Form B

## STATEMENT OF EFFORTS MADE TO IMPLEMENT PERFORMANCE AUDIT RECOMMENDATIONS

SANDAG Staff Member: Brian Lane Date Completed: May 16, 2022Operator: Metropolitan Transit System (MTS)Date of Last Performance Audit: June 2019

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
40	<p><b><u>Recommendations</u></b></p> <p>The auditor recommended that the Metropolitan Transit System track and document the farebox recovery ratio very closely over the next several years both with Senate Bill 508 reporting and without. The auditor offered that a fare increase would bring farebox revenue back to historical averages and ought to be considered at the earliest opportunity.</p>	<p>The auditor noted an erosion of the Metropolitan Transit System's (MTS') systemwide farebox recovery ratio (FRR) during the audit period, from 40.5% in FY 2015 to 31.7% in FY 2018. In spite of the reduction, MTS is still in compliance with the Transportation Development Act (TDA) FRR thresholds. The decline over the audit period was partially a result of costs increasing faster than revenues, but also due to changes in Governmental Accounting Standards Board (GASB) accounting rules that added costs to the balance sheet.</p> <p>GASB Statement 68 now requires reporting of the net pension liability in accrual-based financial statements, compared to the previous method in which funding and accounting were aligned. Further, GASB Statement 75 requires the balance sheet to report the total Unfunded Actuarial Accrued Liability for other post-employment benefits other than pensions, rather than the annual contribution expected based on a calculated long-term liability. These are accounting changes that have no impact on costs or revenues, simply in how future liabilities are reported.</p> <p>MTS also notes that there are other "local funds" that are allowable through Section 99268.19 of the Public Utilities Code that were not included within the FRR calculation. Together they amounted to over \$12 million in revenue for FY 2018 and FY 2019. Incorporating these, as MTS could do in the future, would result in a relatively significant increase in FRR of over 4 percentage points for MTS rail services and nearly 5 percentage points for MTS bus services, resulting in a system wide FRR of 39.1% in FY 2019. These items include advertising revenues, energy credits, and naming rights. Since historically we haven't had challenges meeting the FRR target and thus have not needed to look at other "local funds" to enhance our revenue streams, we can track these sources of revenues and determine the impacts on FRR with and without these revenue sources.</p> <p>Lastly, since the TDA audit process in early 2019, fare adjustments and simplification that increase annual revenues by approximately \$5 million were implemented in September 2019. In September 2021, MTS deployed a new fare system ("PRONTO"), with corresponding adjustments to fare levels and products.</p> <p>The Covid-19 situation has had a significant impact on MTS' operating revenues beginning in FY 2020 and expected through at least FY 2025. Due to the pandemic, most transit agencies in the state, including MTS, have not met TDA farebox recovery minimums, so temporary legislative relief suspended those requirements.</p> <p>Looking ahead, MTS notes increasing cost pressures from other mandates and issues outside its control, such as the California Air Resources Board's Innovative Clean Transit rule, rising energy costs, and significant increases in labor rates over the past two years. While pandemic-related ridership and fare revenue losses have been quickly</p>

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
		recovering for MTS, inflation-driven labor and commodity cost increases will challenge transit operators' efforts to restore FRRs to pre-pandemic levels in the near future.



ANNUAL TDA CLAIM FORM

Form B

**STATEMENT OF EFFORTS MADE TO IMPLEMENT  
PERFORMANCE AUDIT RECOMMENDATIONS**

SANDAG Staff Member: Brian Lane Date Completed: May 24, 2022

Operator: North County Transit District (NCTD)

Date of Last Performance Audit: June 2019

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
	<b><u>Recommendation 1</u></b>	<p>Actions Taken to Implement Recommendations</p> <p>The North County Transit District (NCTD) has worked with outside consultants to develop a Strategic Multimodal Transit Implementation Plan (SMTIP). This is a ten-year strategic plan that provides insight over current and future travel patterns and demand within NCTD's service area and identifies service and capital improvements that will support NCTD's efforts to provide high quality transit services to North County residents and visitors over the long-term. Since the Transportation Development Act (TDA) audit, NCTD has completed the following:</p> <ul style="list-style-type: none"> <li>• A review of existing plans, policies, and transit data to provide an up-to-date profile of existing conditions, as well as to track current and future initiatives to consider and integrate into the strategic plan.</li> <li>• A Transfer Survey, where surveyors went to busy intermodal stations to talk to transit riders and document their trips, with a special focus on origin and destination, as well as the modal combinations that compose their everyday trips.</li> <li>• A Location-Based Services (LBS) Travel Demand Analysis, anonymous cellphone-based data was used to identify overall trip characteristics within and around NCTD's service area to understand the volume, length, and destinations of all trips in the region.</li> <li>• An online survey targeted at riders and non-riders within NCTD's service area to understand key barriers to transit use, mobility considerations related to COVID-19, and priorities related to transit service.</li> <li>• Three Technical Working Group meetings, which participants heard: (1) a summary of results from the <b>Land Use Transit Integration Study</b> analysis and how it will be used as the foundation for the SMTIP; (2) the key takeaways from the Transfer Study and the LBS Travel-Demand Analysis; and (3) key components of the proposed Service and Capital Plan.</li> <li>• Two Stakeholder Working Group meetings, where participants from local community based organizations, school districts, chambers of commerce, and other local organizations heard (1) key takeaways from analyses conducted through the SMTIP and (2) key components of the proposed Service and Capital Plan for review and feedback.</li> </ul>

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
		<ul style="list-style-type: none"> <li>• One focus group meeting with local chambers of commerce to understand key barriers to transit use, mobility and commute considerations related to COVID-19, and priorities related to transit service.</li> <li>• An online survey targeting local school middle and high school districts to understand family travel patterns related to school transportation and public transit priorities.</li> </ul> <p>The information gathered over the past two years were used to develop service and capital improvement recommendations, including high-level cost and implementation considerations. These recommendations were incorporated into a draft final plan for NCTD and stakeholder review.</p> <p>Additionally, NCTD kicked off the BREEZE Speed and Reliability Study in Fall 2021. After consistent feedback over the last several years on the speed and duration of BREEZE bus trips, NCTD will work with local jurisdictions to identify opportunities to improve the reliability of the BREEZE bus network.</p> <p>In response to the uncertainties of COVID-19, NCTD launched a market research and analysis project in October 2021, which is intended to provide a detailed understanding of post-COVID-19 market trends, possible outcomes, and potential new service delivery models and technologies in order to properly inform key business decisions over the next three to five years. The project includes the following work effort:</p> <ul style="list-style-type: none"> <li>• Strategic Scenario Planning: Develop key scenarios based on mobility trends and local market insights to support mobility innovation post-COVID-19.</li> <li>• Human-Centered Design &amp; Research: Identify key profiles in the NCTD market and conduct human-centered research to support customers' post-COVID-19 needs and travel behaviors.</li> <li>• Modeling &amp; Impact Analysis: Rapidly and iteratively evaluate and test the impact of proposed NCTD initiatives, regional policies, and scenario dependencies.</li> <li>• Strategy, Roadmap, &amp; Implementation Plan: Define key initiatives and "no-regret" moves post-COVID-19 to support NCTD in executing its strategy over the next three to five years.</li> </ul> <p>This work effort will provide NCTD with valuable quantitative and qualitative data that is necessary to make informed decisions about the post-COVID-19 environment. This market research will serve as a key component of NCTD's efforts to recover and grow ridership across the system.</p>

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
	<b><u>Recommendation 2</u></b>  Closely track and document Farebox recovery ratio both with traditional calculation and according to SB 508 provisions.	<p>NCTD calculates the farebox recovery ratio under two methods: (1) the method allowed under Public Utilities Code (PUC § 99270.1), which divides fare revenues to operating costs; and (2) the method allowed under Senate Bill 508 (Section 99268.19), where local funds can be used to supplement fare revenue for the purpose of meeting the applicable farebox recovery ratio. In addition, NCTD deducts from operating expenses the exclusions allowed under PUC 99268.17. The second method is reported to the State Controller’s Office.</p> <p>NCTD and SANDAG have not yet reevaluated whether the 18.8% farebox recovery ratio (blended rate of urban/rural rate determined by legislation) should continue to be applicable to NCTD. During the 2019 legislative session the State legislature had discussions regarding a TDA reform that could have modified or eliminated the farebox recovery ratio. That effort did not move forward. Subsequently, in June 2020, in response to the impact on ridership and transit fares due to COVID-19, the California Budget Act of 2020 Assembly Bill (AB) 90 suspended for fiscal years 2019-2020 and 2020-2021, the financial penalties associated with the Transportation Development Act’s requirements that transit agencies obtain specified fixed percentages of their operating budgets from passenger fares. Subsequently, on July 16, 2021, Governor Newsom signed AB149, which extended the statutory relief by an additional two fiscal years through 2022-2023.</p> <p>NCTD and SANDAG will continue to track these efforts at the State level.</p>



CTSA Performance Monitoring Report			
<b>Consolidated Transportation Services Agency (CTSA)</b>  <b>Contact Information:</b> Budd Anderson, Director of Grants and HR Full Access and Coordinated Transportation, Inc. (FACT) 760-754-1252 <a href="mailto:banderson@factsd.org">banderson@factsd.org</a> 516 Civic Center Dr., Oceanside, CA 92054		<b>QUARTER: 2</b> 10/01/21 - 12/31/21	<b>Notes:</b>
		mm/dd/yy - mm/dd/yy	
		<b>Contract Number:</b> 5000644	
		TDA Article 4.5 Funds	
TASK PERFORMANCE MEASURE/DELIVERABLE		QUARTERLY DATA	
1. Provide information and referral services.			
Number of referrals	100% referrals number reported (by agency)	460 referrals (See <i>Attachment A, Pg. 1</i> for a breakdown by agency)	
2. Facilitate at least 4 Council on Access and Mobility (CAM) Meetings annually.			
Manage CAM meetings and agendas	At least 4 CAM meetings held annually	CAM COVID-19 Teleconference: October 12th November 9th  December 16th (FACT Annual Mtg.) - In person event at the Coronado Community Center	
CAM meeting agendas	Report agenda and attendance from each CAM meeting	<ul style="list-style-type: none"><li>• See Attachment A, Pg. 2 for Agendas</li><li>• CAM Attendance: 20 to 25 participants each Teleconference. 70 to 80 attendees at FACT's Annual Meeting.</li></ul>	
1 technical training workshop per year, and 6 training/education items on CAM agenda	Report all training items	<ul style="list-style-type: none"><li>• Insurance and Vehicle Workshop scheduled for March 2022</li><li>• Online Sexual Harassment Prevention Training made available to members free of cost to help agencies meet the new employee training requirements.</li><li>• Group Training: FACT will discuss options once meetings are back to in person</li><li>• CAM COVID-19 Teleconference: Included information on safety procedures and supplies, funding, returning to work protocols, grant updates (including SANDAG's STGP program) and updates from agencies. FACT assists members with RTAP scholarships and encourages members to attend industry conferences such as CalACT.</li></ul>	
3. Maintain a public webpage that hosts a comprehensive and up to date database of specialized transportation providers, including options for seniors and persons with disabilities.			
Number of web hits to FACT website	100% documentation of web hits	7,463 web hits	
Number of web hits for "Find a Ride" page	100% documentation of web hits	Website being upgraded. Tracking label was not available for this period for the Find a Ride tool	
Number of providers in the database	Maintain contact with 100% of the agencies in the database each year	<ul style="list-style-type: none"><li>•Current number of agencies: 193</li><li>•Approximately 25% of agencies in the database are contacted each quarter to verify annually that all agencies' information is accurate. FACT is working on website updates, so outreach was postponed for the quarter.</li><li>•Number of agencies added: 0</li><li>•Number of agencies removed: 0</li></ul>	
4. Increase/leverage available funding for senior/disabled transportation in the San Diego Region.			

List of identified sources of funding.	Update funding inventory at least annually	Caltrans' FTA 5310 program, FTA 5339 (b) and (c) programs, FTA Mobility for All Grants, NCMM Grants, County of San Diego Community Enhancement Grant (CE) and Neighborhood Reinvestment Program (NRP), SANDAG's Specialized Transportation Program (STGP): TransNet SMG and FTA 5310), Sustainable Transportation Equity Project (STEP) Grant, Paycheck Protection Program (PPP), County Community Development Block Grant, California Small Business COVID-19 Relief Grant, Coronavirus Response and Relief Supplemental Apportionments Act of 2021 (CRRSAA) 5310 funds, American Rescue Plan Act (ARPA), SD Foundation: Age Friendly Communities Grant, NCMM Ready-to-Launch Grant, American Cancer Society Community Transportation and Coordinated Agency Services (Currently 10 contracts); Other contracts are currently under discussion.
Number of applications to SANDAG, DOT and other funding sources	Provide list of annual applications submitted and dollar amount of successful applications.	<ul style="list-style-type: none"> <li>•NCMM Ready to Launch – Applied for \$75,000</li> <li>•American Cancer Society Community Transportation – Applied for \$5,000</li> <li>•California 5339 (vehicles) – Applied for \$1,273,177</li> <li>•California 5339 – Awarded \$778,910 for vehicle purchases</li> <li>•Caltrans 5310 Rural CRRSAA - Awarded -\$37,000</li> <li>•SANDAG 5310 Urban CRRSAA - Awarded 352,271</li> <li>•San Diego Foundation: Age Friendly Communities – Awarded \$30,000</li> </ul> <p>*Note: As a non-profit FACT is not eligible to apply for many FTA grant programs</p>

June 3, 2022

## Proposed FY 2023 Transit Agency Operating Budgets

### Overview

SANDAG is responsible for approving the transit agency budgets for funding. [SANDAG Board Policy No. 001](#), vests the Transportation Committee with the responsibility for approval of such budgets. The FY 2023 transit revenue apportionments approved by the SANDAG Board of Directors on [April 22, 2022](#), have been used by the transit agencies in preparing their FY 2023 budgets.

### Key Considerations

SANDAG is responsible for public transit and other transportation planning and programming, including short- and near-term operational and financial planning and program development for Metropolitan Transit System (MTS) and North County Transit District (NCTD). SANDAG provides the transit agencies with funding estimates for those revenues distributed through the consolidated agency. The transit agencies use this information as input into their budget development process.

The Transition Plan (SB 1703 [Peace]) between SANDAG, MTS, and NCTD further calls on SANDAG to examine the transit agencies' budgets and the budget process in an effort to confirm the appropriate use of the funding estimates provided and comment on potential efficiency enhancements. Attachments 1 and 2 contain FY 2023 operating budget summaries provided by MTS and NCTD. The MTS Board of Directors approved its FY 2023 budget on May 12, 2022. The NCTD Board of Directors is scheduled to approve its budget on June 16, 2022.

Larry Marinesi, MTS Chief Financial Officer, and Eun Park-Lynch, NCTD Chief Financial Officer, will present a summary of their FY 2023 budgets and a five-year forecast of operations for their respective agencies.

### ***Susan Huntington, Director of Financial Planning, Budgets and Grants***

Key Staff Contact: Sandi Craig, 619-699-6998, [sandi.craig@sandag.org](mailto:sandi.craig@sandag.org)

Attachments: 1. MTS Operations Budget Summaries  
2. NCTD Operations Budget Summaries

### Action: **Approve**

The Transportation Committee is asked to approve the North County Transit District (NCTD) and the Metropolitan Transit System's FY 2023 operating budgets for funding, with the final NCTD budget subject to approval by the NCTD Board of Directors on June 16, 2022.

### Fiscal Impact:

None.

### Schedule/Scope Impact:

None.



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## Agenda Item

### SAN DIEGO ASSOCIATION OF GOVERNMENTS BOARD OF DIRECTORS TRANSPORTATION COMMITTEE MEETING

June 3, 2022

#### SUBJECT:

METROPOLITAN TRANSIT SYSTEM (MTS): OPERATIONS BUDGET

#### RECOMMENDATION:

That the San Diego Association of Governments (SANDAG) Board of Directors receive the MTS fiscal year (FY) 2023 Operating Budget Report.

#### Budget Impact

None at this time.

#### DISCUSSION:

##### MTS BUDGET STATUS REVIEW

MTS staff held a public hearing and received final budget approval from the MTS Board of Directors on May 12, 2022.

#### FY 2022 Highlights

- Ridership Recovery

MTS was budgeting for an 11% increase in ridership for FY 2022 over the last fiscal year. The latest estimates show ridership will jump almost 50% over the previous year. MTS had seen a significant spike in transit ridership over the course of the entire fiscal year, but even more so in the middle of March as gas prices began to soar. By the last week of April, MTS averaged about 210,000 passenger trips per weekday. With the Youth Opportunity Pass launch on May 1, 2022, that number is expected to exceed 225,000 passenger trips per weekday. The pre-pandemic baseline is 282,000 passenger trips per weekday, so ridership is approaching 80% of the pre-pandemic baseline.



- PRONTO Launch

MTS and North County Transit District (NCTD) officially launched the region's brand-new PRONTO fare collection system on September 1, 2021. Under development for four years, the new PRONTO system is more convenient, with new rider-requested functionality, and a 'best fare' system that automatically calculates the best possible fare. With PRONTO, fares are capped at \$6 per day or \$72 per month for adult passes (\$3/day and \$23/month for seniors, riders with disabilities, and youth). Passengers simply tap or scan each time they ride, and the system will automatically deduct the appropriate fare.

New rider-friendly features include:

- Free transfers – one-way fares are valid for unlimited transfers between buses and trolleys for up to two hours
- Pay-as-you-go capabilities – riders no longer need to pay upfront for passes and can load just what they need for the day
- Instant account reloads – funds added to PRONTO accounts can be accessed instantly through the new account-based system
- Increased retail network – at launch, card purchases were available at participating Vons and Albertsons and more than 70 other retail outlets.

- Free Ride Month

MTS and NCTD celebrated the launch of PRONTO with Free Rides in September for riders with a PRONTO card or the PRONTO mobile application. The month-long Ride Free with PRONTO September promotion offered to help riders transition to the new system, and the agencies distributed more than 120,000 PRONTO cards and 100,000 app downloads for free between August and September to prepare riders for the transition. MTS also experienced a 14% ridership increase in September.

- Mid-Coast Corridor Trolley Extension

After five years of building and certifying new vehicles, adding more staff, conducting training and testing, MTS and SANDAG launched the UC San Diego Blue Line Extension to the University City community on November 21, 2021. The 11-mile extension features nine new stations, serving major activity centers such as the Veterans Administration Medical Center, UCSD, and Westfield UTC. The project is funded by TransNet and the Federal Transit Administration (FTA) New Starts Program. MTS offered free rides on the Trolley all day long on opening day. More than 85,000 people rode the Trolley, a major increase over normal Sundays. MTS also partnered with SANDAG on a community celebration next to the new UC San Diego Central Campus Station, which more than 10,000 people attended.

- Zero Emission Bus (ZEB) Transition

MTS made a historic commitment to reduce Greenhouse Gas (GHG) emissions in September 2020 when the MTS Board unanimously approved a transition plan to convert all of the agency's 800 buses to ZEB by 2040. The transition plan will serve as the agency's blueprint to transition all vehicles in the fleet to zero-emissions. MTS now has a total of eight electric buses in its fleet and individual bus chargers at all four bus divisions. In order to facility the full transition, MTS is



bringing the latest charging technology and most innovative solutions for zero-emission buses in the region. In May 2022, MTS began construction on an \$8.5 million overhead gantry charging system at the South Bay Bus Operations & Maintenance Facility in Chula Vista. This system is capable of charging 24 battery-electric buses at a time, and it is expandable to add more charging capacity as MTS transitions its fleet to all electric over the coming years. MTS will be installing the Schunk SLS 301 series Depot Charging Pantograph, which offers a quicker and safer hands-free electric vehicle charge. Buses can be docked in the depot in seconds and fully charged in just a few hours. This offers advantages for efficient operations for a clean energy fleet. Construction is expected to be completed by early 2023, just in time for the new Iris Rapid route, which will consist of 60-foot electric buses serving one of the busiest South Bay corridors between Imperial Beach and Otay Mesa. MTS has plans to build similar overhead gantry charging systems at its other bus facilities by 2028.

- Clean Transit Advancement Campus (CTAC)

MTS has five current bus divisions distributed throughout service area, but are at-capacity at those divisions. Any service increases and the transition to zero-emission buses will require additional capacity, leading MTS to begin its search for a sixth division. Analysis recommends central site along I-805 corridor to optimize operations, closest to future service expansion. MTS requires 10-12 acres for up to 250 buses and 600 employees for the next generation CTAC, which would be dedicated to just electric bus charging for ultimate 100% ZEB operation.

- Social Equity Listening Tour

In February 2022, the MTS Board approved a contract with Pueblo Planning to conduct a Social Equity Listening Tour. This tour is a public engagement effort to understand community narratives around equity, public transit and MTS; to identify areas of concern for MTS audiences as it relates to equity at-large (housing, food access, medical care, etc.); and identify top transportation system priorities for communities within MTS's service area. Pueblo Planning will develop a comprehensive report on community narratives and findings to present back to MTS Board in Fall of 2022. MTS expects to allocate \$3 million of spending from the FY 2023 Capital Improvement Program (CIP) towards outcomes and recommendations from the Social Equity Listening Tour.

### Review of MTS Financial Status

The long-term ongoing goal of the MTS operating budget is to fund operations solely utilizing recurring revenues.

MTS uses a zero-based budgeting process that begins in January each year. In MTS's process, every line item budget is reviewed and approved each year. Department managers complete budget templates in which they propose amounts for each line item, submitted with the appropriate supporting details for each assumption (in contrast, with a traditional historic budgeting process, managers only justify variances versus prior year budget; the assumption is that the baseline is automatically approved). Meetings are held with each department to validate their assumptions, review proposals versus existing spending trends, and review any new initiatives. This collaborative process results in the assumptions that are then presented to and reviewed by senior

management at MTS, the Budget Development Committee (BDC) and ultimately the MTS Board of Directors.

On February 24, 2022, staff had its first meeting with the BDC. During this meeting, staff reviewed and recommended approval of the FY 2022 midyear operating budget amendment. Staff also presented a preliminary forecast of the FY 2023 operating budget based on high-level expense and revenue assumptions.

On March 10, 2022, staff held a Finance Workshop at the Board of Directors meeting. During this meeting, staff reviewed and received Board approval of the FY 2022 amended operating budget. Staff also presented a preliminary draft of the FY 2023 operating budget based on very high-level expense and revenue assumptions.

Staff held its second meeting with the BDC on March 24, 2022. During this meeting, staff presented a more refined draft of the FY 2023 operating budget with more detailed expense and revenue assumptions included. Staff also presented the FY 2023 CIP. Since the March 24th BDC meeting, staff continued to refine the proposed FY 2023 operating budget with developments in expense and revenue assumptions. SANDAG provided new sales tax revenue forecasts, which dramatically increased forecasted subsidy revenue and reduced the amount of stimulus funds necessary in the FY 2023 operating budget.

On April 14th, 2022, staff held the second Finance Workshop at the Board of Directors meeting. During this meeting, staff presented and received approval of the FY 2023 CIP. Staff also presented a more refined version of the FY 2023 operating budget, inclusive of the new sales tax forecasts from SANDAG and updated expense assumptions.

Staff held its third meeting with the BDC on April 20th, 2022. During this meeting, staff reviewed assumption changes made to the operating budget and presented a proposed balanced draft budget for FY 2023. The BDC forwarded their recommendation to the Board to recommend staff hold a public hearing on May 12th, 2022 with the purpose of reviewing and approving the proposed MTS FY 2023 Operating Budget.

On May 12, 2022, staff again met with the MTS Board to present the proposed draft budget for FY 2023 and hold the public hearing. The MTS Board approved the proposed combined MTS FY 2023 Operating Budget.

### FY 2023 Overview

As indicated within Attachment B, the FY 2023 total budgeted revenues are projected at \$378.2 million, and total projected expenses are budgeted at \$378.2 million, resulting in a balanced budget for FY 2023.

- FY 2023 Revenue

Please refer to Attachment A for a summary of FY 2023 budgeted revenues.

- FY 2023 Operating Revenues

Operating revenue totals \$92.2 million, an increase from the FY 2022 amended budget of \$13.2 million (16.8%). Passenger revenues are projected to increase by \$14.9 million (26.9%). Other operating revenues are projected to decrease by \$1.7 million (-7.2%). This includes projected decreases in energy credit revenue

as well as naming rights revenue as the deal with Sycuan Casino for Green Line naming rights is set to expire in November 2022.

- FY 2023 Subsidy Revenues

Subsidy revenue totals \$286.0 million, an increase from the FY 2022 amended budget of \$23.3 million (8.9%). FTA funding is structured on a reimbursement basis (after expenses are incurred), and funds both the CIP and operating budgets. MTS's share of recurring federal revenue in the operating budget is expected to increase by \$2.5 million (3.8%) from the FY 2022 amended budget to \$67.0 million in total. This is due to increasing the preventive maintenance funds in the operating budget by \$1.0 million as well as increasing the 5307 allocation for ADA operations by \$1.4 million. On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided \$25 billion to the transit industry nationwide. MTS will receive \$220 million in CARES Act funding over multiple fiscal years to supplement lost revenues and increased expenses related to the pandemic. On March 11, 2021 the President signed the American Rescue Plan (ARP) Act into law, providing \$140 million in additional stimulus funding for MTS. MTS spent \$90 million in CARES funds through the end of FY 2021 and started drawing ARP funds in FY 2022 due to ARP funding deadlines. This proposed FY 2023 operating budget includes \$37.3 million in FTA ARP Act funds to cover the projected operating deficits, a decrease of \$17.3 million (-31.7%) from the FY 2022 amended budget. The overall amount of federal revenues in the operating budget is projected to decrease by \$14.8 million (-12.4%).

Regional sales tax revenues for MTS are projected to increase by \$41.1 million (33.5%) year over year for FY 2023. Transportation Development Act (TDA) revenue in the FY 2023 operating budget is projected to increase by \$29.0 million (42.2%) over the FY 2022 amended budget. This is due to high regional sales tax receipts, particularly during FY 2022. MTS files an annual TDA claim based on SANDAG projections, and that claim amount is the amount received, regardless of actual sales tax performance. Regional sales tax receipts significantly outperformed SANDAG's original FY 2022 projections (basis for FY 2022 amended budget), and the TDA levels proposed in the FY 2023 budget are based on SANDAG's most recent forecast from April 2022, resulting in a significant (42.2%) increase over the FY 2022 amended budget.

TransNet formula revenue is projected to increase by \$5.5 million for FY 2023 (15.6%) from the FY 2022 amended budget. Unlike TDA, TransNet revenues are not based on an annual claim process and are instead disbursed as the revenue is generated. MTS also receives TransNet as operating assistance for TransNet funded service, which includes Superloop, I-15 BRT, Mid-City Rapid, South Bay BRT, and the Mid-Coast trolley extension (Mid-Coast). TransNet operating assistance is projected to be \$25.4 million in FY 2023, an increase of \$6.6 million from the FY 2022 amended budget, which is primarily due to having a full year of Mid-Coast operations and the reduction to Fastrak revenue detailed below. In total, TransNet revenues are projected to increase by \$12.1 million (22.4%) from the FY 2022 amended budget.

In the FY 2022 fiscal year to date, MTS has received \$13.5 million of the originally projected \$23.2 million of State Transit Assistance (STA) funding. This funding is primarily programmed in the CIP due to its volatile history, but a portion is also allocated to operations to fund prior service increases, replace lost

Medi-Cal revenue, and address the structural deficit. The share of STA in the operating budget is staying flat at \$11.3 million in FY 2023.

Other state revenue is projected to be \$80,000 in FY 2023, a decrease of \$120,000 from the FY 2022 amended budget. This is due to a projected decrease in Medi-Cal revenues.

Other local funding is projected to be \$6.5 million, a decrease of \$2.9 million (-30.8%) from the FY 2022 amended budget. This is due to reduction in the amount of Fastrak revenue available from SANDAG as part of a revenue swapping arrangement. During the last few years, SANDAG has provided \$8.5 million in Fastrak revenue in lieu of TransNet funds for Bus Rapid Transit (BRT) operating reimbursement. This year, SANDAG is providing \$5.5M, and the difference will be made up with TransNet operating funds.

- FY 2023 Other Revenues

Within other revenue, reserve revenue totals \$10,000. For-Hire Vehicle (FHV) Administration and San Diego & Arizona Eastern (SD&AE) are self-funded activities. In total, they are projected to utilize \$10,000 of reserve revenue to balance their budgets, a decrease of \$48,000 from the FY 2022 amended budget. With this draft, there is no projected MTS contingency reserve usage in FY 2023.

- FY 2023 Expenses

Please refer to Attachment B for functional related FY 2023 budgeted expenses.

- FY 2023 Combined Expenses

FY 2023 combined expenses totaled \$378.2 million, an increase from the FY 2022 amended budget of \$35.7 million (10.4%). Overall service levels are expected to increase in FY 2023. Rail operations service levels are expected to increase by 11.5% year over year due to a full year of Mid-coast operations. Internal and contracted fixed route bus service levels are expected to increase by a combined 2.3% year over year. Paratransit service levels, based on demand, are projected to increase by 30% and return to approximately 55% of baseline levels in FY 2023.

Within operating expenses, personnel expenses are projected to increase from the FY 2022 amended budget by \$12.0 million (8.0%). Wages are expected to increase by \$4.3 million (4.7%), primarily due to higher bus and train operator wages resulting from higher service levels and wage increases. As detailed in Section 10.05, salary grade ranges for FY 2023 are increasing 5.2% from the amended FY 2022 ranges, matching the Consumer Price Index increase for the San Diego region. The budget includes wage increases ranging from 3.0 – 4.0% for all collective bargaining agreements, and also includes a 4.0% merit pool for administration and a 1.0% Performance Incentive Program (PIP) for the fiscal year. Fringe expenses are projected to increase by \$7.7 million (13.1%) versus the FY 2022 amended budget. This is primarily due to increasing expenses related to healthcare, pension, paid time off, as well as decreasing cost recovery since MTS will no longer receive direct reimbursement for Mid-Coast labor as an offset to expenses. Instead, Mid-Coast reimbursement will now be recorded as an increase to TransNet operations revenue rather than a decrease in expenses.

Purchased transportation costs are projected to increase from the FY 2022 amended budget by \$10.9 million (12.7%). This is primarily due to contract increases for the Transdev contract and projected demand increases for paratransit service operated by First Transit Inc. Both contracts have fixed and variable rates. The fixed cost rate is not dependent on service levels and is a fixed monthly fee, whereas the variable rate is dependent on the volume of service operated. The fixed cost rate on the Transdev contract is increasing by 4.2%, and the variable rate is increasing by 7.4% in FY 2023. MTS contracts with First Transit Inc. to provide mini-bus fixed route service and paratransit service. Fixed costs are increasing 4.4% for both minibus and paratransit, the minibus per-mile rate is increasing by 5.6%, and the paratransit per-hour rate is increasing by 3.1%. Paratransit purchased transportation costs are increasing primarily due to the projected 30.0% increase in service demand in FY 2023 versus FY 2022.

Excluding purchased transportation, other outside service expenses are projected to increase from the FY 2022 amended budget by \$8.7 million (24.7%). This is primarily due to projected increases in contracted security costs due to having a full year at the new contract rates and service levels, increases in repair and maintenance costs due to mid-life overhauls on the Light Rail Vehicle (LRV) fleet and contracted tie replacement within rail operations, increasing professional services costs due to a variety of facility rehabilitation projects within bus operations, increasing Pronto costs due to having a full year of operating and maintenance costs, and increasing Information Technology (IT) expenses.

Materials and supplies costs are projected to increase by \$201,000 (1.4%), primarily due to revenue vehicle parts and equipment maintenance supplies within rail operations. Revenue vehicle parts in FY 2022 were inflated due to one-time driver protective barrier installations on the bus fleet, and recurring materials and supplies costs are projected to increase by approximately 4.2%.

Energy costs are projected to increase by \$2.3 million (5.5%). Electricity costs are projected to increase by \$818,000 (3.4%) due to projected rate increases. Compressed Natural Gas (CNG) costs are projected to increase by \$1.1 million (8.1%), primarily due to projected rate increases from turmoil in the energy markets as well as planned service increases. Propane costs are expected to increase by \$214,000 (12.2%), primarily due to projected increases in demand for paratransit service.

Risk management costs are increasing by \$1.0 million (13.8%). The increase is primarily driven by an increase of \$1.1 million (22.4%) in insurance premiums due to harsh market conditions for liability and property insurance. Legal expenses are also expected to increase significantly in FY 2023 due to the backlog of court proceedings that were delayed by the pandemic.

General and Administrative costs are increasing by \$690,000 (13.2%), primarily due to increasing fare materials costs as a result of purchasing additional extended use and limited use Pronto cards in FY 2023. Travel costs are also expected to increase next year as the frequency of in-person events and meetings is expected to increase.

Vehicle and Facility Lease costs are projected to increase by \$28,000 (1.8%), primarily due to non-revenue vehicle leasing expenses.

Debt service costs are projected to decrease from the FY 2022 amended budget by \$150,000 (-44.8%), primarily due to decreasing interest costs for the Pension Obligation Bond funding the San Diego Transit Corporation (SDTC) pension plan.

In total, expenses are projected to increase by \$35.7 million or 10.4% versus the FY 2022 amended budget.

#### Five-Year Forecast

Attachment C provides a look at MTS operations through FY 2027. Operating revenues are projected to increase by 19.2% in FY 2024 and 16.1% in FY 2025. These increases are primarily due to projected passenger revenue increases as customers return to the system, driven by the full re-opening of the economy and high gas prices. Approximately 1.7% growth is assumed in both FY 2026 and FY 2027, as passenger growth is expected to level off. Sales tax projections average an increase of 4.0 % over the next four fiscal years, which impacts MTS's TDA and TransNet subsidy revenue. Federal stimulus revenues from both the CARES and ARP Acts are projected to offset operating deficits into FY 2027. In total, revenues are projected to increase by an average of 3.5% over the next four fiscal years, with recurring revenues growing by an average of 4.9% as passengers return to the system. Expenses are projected to increase by an average of 3.5% from FY 2024 through FY 2027, with high inflation projected in FY 2024 and FY 2025, and tapering off through FY 2027.

With the current structural deficit and despite projected growth in recurring revenues exceeding projected expense growth, the current five-year operating forecast shows projected structural deficits in each subsequent fiscal year, beginning with a structural deficit of \$25.1 million in FY 2024 and \$20.8 million in FY 2027. Federal stimulus funds will be used to cover these structural deficits.

- Attachments:
- A. MTS Operating Budget – Revenue Summary
  - B. MTS Operating Budget – Consolidated Income Statement
  - C. MTS Operating Budget – Five-Year Financial Projection

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATING BUDGET - CONSOLIDATED  
REVENUE SUMMARY  
FISCAL YEAR 2023**

	<b>ACTUAL FY21</b>	<b>AMENDED BUDGET FY22</b>	<b>BUDGET FY23</b>	<b>DOLLAR CHANGE BUDGET/ PROJECTED</b>	<b>% CHANGE BUDGET/ PROJECTED</b>
<b>OPERATING REVENUE</b>					
PASSENGER REVENUE	\$ 47,913,392	\$ 55,474,808	\$ 70,400,000	\$ 14,925,192	26.9%
OTHER OPERATING REVENUE	19,822,031	23,499,199	21,806,082	(1,693,117)	-7.2%
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 67,735,422</b>	<b>\$ 78,974,007</b>	<b>\$ 92,206,082</b>	<b>\$ 13,232,075</b>	<b>16.8%</b>
<b>SUBSIDY REVENUE</b>					
FEDERAL REVENUE	\$ 63,646,874	\$ 64,588,098	\$ 67,048,675	\$ 2,460,577	3.8%
FEDERAL REVENUE - CARES ACT	72,100,000	54,540,847	37,260,241	(17,280,606)	-31.7%
TRANSPORTATION DEVELOPMENT ACT (TDA)	71,877,995	68,804,580	97,808,064	29,003,483	42.2%
TRANSNET	44,062,481	53,942,965	66,040,160	12,097,195	22.4%
STATE TRANSIT ASSISTANCE (STA)	4,047,402	11,300,000	11,300,000	0	-
STATE REVENUE - OTHER	112,157	200,000	80,000	(120,000)	-60.0%
OTHER LOCAL SUBSIDIES	9,392,465	9,376,471	6,490,994	(2,885,477)	-30.8%
<b>TOTAL SUBSIDY REVENUE</b>	<b>\$ 265,239,374</b>	<b>\$ 262,752,961</b>	<b>\$ 286,028,133</b>	<b>\$ 23,275,172</b>	<b>8.9%</b>
<b>OTHER REVENUE</b>					
OTHER FUNDS	\$ -	\$ -	\$ -	\$ -	-
RESERVES REVENUE	(2,996,877)	857,344	9,558	(847,786)	-98.9%
<b>TOTAL OTHER REVENUES</b>	<b>\$ (2,996,877)</b>	<b>\$ 857,344</b>	<b>\$ 9,558</b>	<b>\$ (847,786)</b>	<b>-98.9%</b>
<b>GRAND TOTAL REVENUES</b>	<b>\$ 329,977,919</b>	<b>\$ 342,584,312</b>	<b>\$ 378,243,774</b>	<b>\$ 35,659,462</b>	<b>10.4%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATING BUDGET - CONSOLIDATED  
SUMMARY INCOME STATEMENT  
FISCAL YEAR 2023**

	<b>ACTUAL FY21</b>	<b>AMENDED BUDGET FY22</b>	<b>BUDGET FY23</b>	<b>\$ VARIANCE BUDGET TO AMENDED</b>	<b>% VARIANCE BUDGET TO AMENDED</b>
PASSENGER REVENUE	\$ 47,913,392	\$ 55,474,808	\$ 70,400,000	\$ 14,925,192	26.9%
OTHER REVENUE	19,822,031	23,499,199	21,806,082	(1,693,117)	-7.2%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 67,735,422</b>	<b>\$ 78,974,007</b>	<b>\$ 92,206,082</b>	<b>\$ 13,232,075</b>	<b>16.8%</b>
TOTAL NON-OPERATING REVENUE	262,242,497	263,610,307	286,037,693	22,427,386	8.5%
<b>TOTAL REVENUES</b>	<b>\$ 329,977,919</b>	<b>\$ 342,584,314</b>	<b>\$ 378,243,775</b>	<b>\$ 35,659,461</b>	<b>10.4%</b>
PERSONNEL EXPENSES	\$ 150,914,508	\$ 150,423,473	\$ 162,407,701	\$ 11,984,228	8.0%
OUTSIDE SERVICES	30,205,951	35,147,358	43,818,438	8,671,080	24.7%
PURCHASED TRANSPORTATION	73,624,279	85,626,433	96,518,582	10,892,149	12.7%
MATERIALS AND SUPPLIES	15,980,036	14,792,074	14,992,662	200,588	1.4%
ENERGY	32,389,217	41,954,525	44,262,123	2,307,598	5.5%
RISK MANAGEMENT	7,030,680	7,525,996	8,562,549	1,036,553	13.8%
GENERAL AND ADMINISTRATIVE	4,099,615	5,214,310	5,904,126	689,816	13.2%
VEHICLE / FACILITY LEASE	1,302,178	1,564,947	1,592,527	27,580	1.8%
DEBT SERVICE	477,200	335,196	185,066	(150,130)	-44.8%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 316,023,663</b>	<b>\$ 342,584,312</b>	<b>\$ 378,243,774</b>	<b>\$ 35,659,462</b>	<b>10.4%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>\$ 13,954,256</b>	<b>\$ 2</b>	<b>\$ 1</b>	<b>\$ (1)</b>	<b>-</b>



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATING BUDGET - CONSOLIDATED  
FIVE YEAR FINANCIAL PROJECTIONS (\$000s)  
FISCAL YEAR 2023**

	ACTUAL FY21	AMENDED BUDGET FY22	BUDGET FY23	PROJECTED FY24	PROJECTED FY25	PROJECTED FY26	PROJECTED FY27
TOTAL OPERATING REVENUES	\$ 67,735	\$ 78,974	\$ 92,206	\$ 109,942	\$ 127,679	\$ 129,842	\$ 132,048
RECURRING SUBSIDY FUNDING	193,139	208,212	248,768	259,078	265,787	273,059	280,381
<b>TOTAL RECURRING REVENUES</b>	<b>\$ 260,875</b>	<b>\$ 287,186</b>	<b>\$ 340,974</b>	<b>\$ 369,021</b>	<b>\$ 393,466</b>	<b>\$ 402,901</b>	<b>\$ 412,430</b>
PERSONNEL EXPENSES	\$ 150,915	\$ 150,423	\$ 162,408	\$ 167,779	\$ 171,817	\$ 177,516	\$ 183,415
OUTSIDE SERVICES	103,830	120,774	140,337	148,473	156,109	160,519	164,782
MATERIALS AND SUPPLIES	15,980	14,792	14,993	15,850	16,535	17,031	17,467
ENERGY	32,389	41,955	44,262	45,012	46,320	47,667	49,054
RISK MANAGEMENT	7,031	7,526	8,563	9,076	9,485	9,769	10,014
OTHER	5,879	7,114	7,682	7,943	8,133	8,329	8,497
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 316,024</b>	<b>\$ 342,584</b>	<b>\$ 378,244</b>	<b>\$ 394,135</b>	<b>\$ 408,398</b>	<b>\$ 420,831</b>	<b>\$ 433,230</b>
<b>RECURRING OPERATING INCOME (DEFICIT)</b>	<b>\$ (55,149)</b>	<b>\$ (55,398)</b>	<b>\$ (37,270)</b>	<b>\$ (25,114)</b>	<b>\$ (14,932)</b>	<b>\$ (17,930)</b>	<b>\$ (20,800)</b>
FEDERAL REVENUE - CARES ACT	72,100	54,541	37,260	25,114	14,932	17,930	20,800
NON RECURRING REVENUES	(2,997)	857	10	-	-	-	-
<b>TOTAL OPERATING INCOME (DEFICIT)</b>	<b>\$ 13,954</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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May 25, 2022

Transportation Committee  
 San Diego Association of Governments  
 401 B Street, Suite 800  
 San Diego, CA 92101  
 Sent Via USPS and Electronic Mail: Sandi.Craig@sandag.org

Re: North County Transit District FY2023 Operating Budget and FY2023-FY2027  
 Capital Improvement Program

The North County Transit District (NCTD) Board of Directors (Board) Policy No. 17 - *Budget Development* (Board Policy No. 17) guides the development and implementation of NCTD's annual operating budget and capital improvement program. This policy covers the basis of accounting and financial principles, budget development guidelines and conditions, budget development procedures, budget monitoring, and budget controls. NCTD adopts an annual balanced budget in which total revenues equal or exceed total expenses to support service, operations, and capital decisions. The NCTD Proposed FY2023 Operating Budget and FY2023-FY2027 Capital Improvement Program have been developed under NCTD Board Policy No. 17 guidelines, in compliance with all regulatory requirements, and represent a balanced budget in FY2023.

The following key milestones have been completed in support of the overall development of the FY2023 Budget:

- The NCTD Board approved the Proposed FY2023-FY2027 Capital Improvement Program on December 16, 2021 (Agenda Item No. 16), which has been programmed in the updated 2021 Regional Transportation Improvement Program (RTIP);
- The NCTD Executive Committee, at its meeting of March 1, 2022 (Agenda Item No. 2), received a presentation from the Executive Director regarding the proposed FY2023 Budget Guidance and Strategic Areas of Focus;
- The NCTD Board of Directors, at its meeting of March 17, 2022 (Agenda Item No. 17), also received the Executive Director's Report on the Proposed FY2023 Budget Guidance and Strategic Areas of Focus;
- The NCTD Marketing, Service Planning, and Business Development (MSBPD) Committee at its meeting of April 7, 2022 (Agenda Item No. 2) received details of the proposed FY2023 Service Implementation Plan (SIP), including ridership projections, and revenue hour and revenue mile projections for all modes;
- The NCTD Board of Directors, at its meeting of April 21, 2022 (Agenda Item No. 17), received an update on the FY2023 SIP assumptions and forecasts;

- The NCTD Performance, Administration, and Finance (PAF) Committee at its meeting of May 12, 2022 (Agenda Item No. 3), received an overview of the Draft Proposed FY2023 Operating Budget, which included significant assumptions for revenues and expenses;
- The NCTD Board of Directors, at its meeting of May 19, 2022 (Agenda Item No. 21) received a detailed presentation of the Draft Proposed FY2023 Operating Budget, including significant assumptions for revenues and expenses; and
- On June 1, 2021, NCTD is scheduled to post the budget documents for public review and comment at the following locations: NCTD General Administrative Offices, 810 Mission Avenue, Oceanside, CA; Customer Service Offices at Oceanside, Escondido, and Vista Transit Centers, and on NCTD's website at: <https://www.gonctd.com/about-nctd/accountability/>.

### **FY2023 Budget Guidance**

For FY2023, NCTD anticipates continued impacts from the COVID-19 pandemic, in particular reduced ridership and customer revenues when compared to FY2019, overwhelmed supply chains, higher inflation, high fuel costs, staff shortages, and wage pressures to attract and retain employees. At the same time, new opportunities have arisen for NCTD, the additional federal funds that are available from the Infrastructure Investment and Jobs Act, which provides \$106.9 billion for public transit agencies, an increase of \$41.1 billion (63 percent) from current levels combined with increases in local and state funding sources due to increased sales tax revenues.

The FY2023 Operating Budget and Capital Improvement Program continues NCTD's focus on increasing customer ridership by implementing improvements to the BREEZE bus network to improve speed and reliability; improvements to COASTER and SPRINTER lines to enhance service frequencies; implementation of micro-transit service and build out of mobility as a service program known as NCTD+ to support improved first and last mile connections, and upgrading of technologies to improve the customer riding experience. To support future revenue generation, the FY2023 Operating Budget makes significant investments in real estate development activities and the naming rights program that was implemented in FY2022.

The FY2023 Capital Improvement Program shows continued growth and NCTD's progress in addressing state of good repair needs along with implementing improvements including advancing key projects such as the COASTER Convention Center Platform, Del Mar Bluffs Stabilization, and significant investments in infrastructure to support the transition to zero emissions bus operations.

The FY2023 Operating Budget also reflects a significant shift in NCTD's business model: the Board approved insourcing of rail operations and maintenance along with insourcing facilities maintenance. The personnel headcount contained in this budget is significantly increased as employees transfer from contracted to direct employment and administrative staff are added to provide the required support. During FY2023, NCTD will be evaluating the current business model for delivering bus and paratransit service to support Board consideration of alternatives ahead of contracts that will be expiring on June 30, 2024.

The following guidance supports the development of the FY2023 Operating Budget:

- COVID-19 transition from pandemic to endemic

- Advance key studies to understand current and future mobility patterns and needs
  - Conduct direct mail, online, and onboard surveys to gather feedback from customers, businesses, and other key stakeholders
  - Increase investment in Government Affairs, Planning, Marketing, and Communications
  - Improve hiring and retention of bus operators and other front-line positions
  - Implement micro-transit services in San Marcos and expand in Carlsbad
  - Implement new technologies
  - Enhance safety and security resources
- Manage inflation impacts and optimize expenses
  - Closely scrutinize all new agreements to fully understand long-term impacts
  - Identify areas where expenses can be reduced
  - Leverage current and future technology investments
  - Seek partnerships to reduce costs while simultaneously improving services
- Strategic Plan Update
  - Advance significant updates to NCTD's strategic plan
  - Actively engage customers, and internal and external stakeholders
- Social Equity (State and Federal Funding Area of Emphasis)
  - Conduct equity analysis related to NCTD transit operations
  - Advance low-income fare for COASTER service
  - Permanently add the SPRINTER/BREEZE fare to the Regional Fare Ordinance
  - Implement new Disadvantaged Business Enterprise goals
- Climate Action Plan (State and Federal Funding Area of Emphasis)
  - Develop Climate Change Action Plan
  - Advance fleet zero emission transition
  - Include performance measures related to reduction of Greenhouse Gas (GHG) in project planning to enhance NCTD's competitiveness for grant funding
- Service Quality Improvement
  - Successfully complete in-sourcing of rail operations
  - Evaluate bus, paratransit, and ADA paratransit service delivery model
  - Enhance data analytics capabilities to support improved on-time performance
  - Continued focus on Zero Delay by implementing technical services and material management agreements across all modes
- Revenue and real estate development
  - Continue to advance Oceanside Transit Center Development Project

- Advance development projects for Solana Beach, Carlsbad, and select SPRINTER stations
  - Implement Naming Rights and Sponsorships Contracts
- Fund and successfully implement state of good repair and priority capital needs
  - NCTD will need to invest in personnel and other resources to support success in seeking discretionary funding
  - NCTD will need to invest in personnel and other resources to timely implement projects
- Outreach and Strategic Partnerships
  - Enhance proactive communications with key stakeholders
  - Enhance collaboration with public agencies to support mutually beneficial goals

### **FY2023 Operating Budget Major Assumptions**

NCTD is required to adopt an annual balanced operating budget where total revenues are equal to or exceed total expenses to support service, operations, and capital decisions. NCTD will have a balanced operating budget for FY2023 where total operating revenues and total operating expenditures will be \$170.2 million. Following is a high-level summary of the significant assumptions and primary drivers of the FY2023 Operating Budget.

- Formula-based federal grants are derived from the Federal Transit Administration's (FTA) published apportionment tables. In November 2021, the Bipartisan Infrastructure Deal was signed into law. The new law authorized up to \$108 billion, including \$91 billion in guaranteed funding for public transportation - the most significant federal investment in transit in the nation's history. The Bipartisan Infrastructure Law will boost transit funding for communities all over the country by an average of 30%. The FTA published the FY2023 apportionment tables in April 2022 and NCTD anticipates receiving an additional \$11.8 million in funding from FTA Sections 5307, 5337, and 5339 programs compared to FY2022 (increase of 35%).
- The Transportation Development Act (TDA) has two major funding sources, the Local Transportation Fund (LTF) and the State Transit Assistance (STA). LTF is derived from a 1/4-cent general sales tax and STA is derived from sales tax on diesel fuel. LTF apportionment estimates are provided by the County Auditor in January/February before the start of the new fiscal year. Revised estimates were provided by SANDAG staff on April 15, 2022. LTF funds are apportioned to NCTD and the San Diego Metropolitan Transit System based on population estimates published by the California Department of Finance. NCTD receives 29% of the County's LTF apportionment. STA funds are appropriated by the legislature to the State Controller's Office (SCO). The SCO then allocates the tax revenue, by formula, to planning agencies and other selected agencies. Statute requires that 50% of STA funds be allocated according to population and 50% be allocated according to transit operator revenues from the prior fiscal year. FY2023 LTF revenue estimates for NCTD are \$53.7 million (including a rebate from SANDAG of \$0.2 million), of which \$52.7 million will be utilized to support operations and \$1 million for the capital program. The FY2023 allocated STA funds are \$11.1 million, of which \$8 million will be utilized to support operations and \$3.1 million for the



capital program. TDA actual revenues will be dependent upon sales of taxable goods and diesel.

- *TransNet* revenue is forecasted by the San Diego Association of Governments (SANDAG) in January/February before the start of the new fiscal year based on the growth rate in taxable sales in San Diego County. Revised estimates were provided by SANDAG staff on April 15, 2022. The distribution to NCTD is based on the January 2021 population. FY2023 *TransNet* revenue estimates for NCTD are \$18.8 million, which will be utilized to support operations. *TransNet* actual revenues will be dependent upon sales of taxable goods in San Diego County.
- The *TransNet* Extension Ordinance requires that 8.1% of all *TransNet* revenue be used to fund transit operations for ten (10) specified projects, which includes COASTER frequency enhancements. The FY2023 Operating Budget includes additional costs that will be incurred for expanded COASTER weekend and midday weekday service that began in October 2021. The FY2023 Operating Budget includes \$7.3 million of *TransNet* 8.1% revenues.
- Customer ridership and revenue are based on the FY2023 SIP and ridership recovery assumptions vary by mode. NCTD anticipates receiving a subsidy of \$1.2 million from SANDAG for its participation in the Youth Opportunity Pass program, which will allow youth riders aged 18 and under to ride free on NCTD services (except LIFT) through June 2023.
- American Rescue Plan Act (ARPA) funds of \$24.5 million will be utilized to support preventive maintenance, purchased transportation, and salaries and wages costs.
- Revenue projections for operations, use, maintenance fees, and dispatching (auxiliary revenues) from BNSF, Amtrak, and Metrolink are based on the terms specified in shared use/operating agreements.
- Projections for other operating revenues such as permits, leases, administrative fees, and advertising are based on FY2022 levels.
- NCTD will experience an increase in staffing levels related to the in-house phased transition of rail operations and facilities maintenance contracts. The increase in staffing will occur in two phases, the first phase will include train operations and rail equipment maintenance (transition will occur in late June 2022), and the second phase will include railroad maintenance of signal, maintenance of way, and facilities maintenance (transition will occur in late June 2023). The FY2023 Operating Budget also assumes capitalized labor for staff time working on capital projects of \$1.2 million. Actual expenses will vary from budgeted amounts depending on staff vacancies, timing of hires, benefits elections, and the amount of staff time spent on capital projects.
- NCTD's contracts for purchased transportation and facilities maintenance are subject to contractual escalation clauses based on the lowest of the Consumer Price Index (CPI) or 3%. The FY2023 CPI adjustment for the rail contract is 3%. The scope of the rail contract will be limited to include vehicle parts for the COASTER bi-level cab and coach cars, two months train cleaning, maintenance-of-way, and maintenance of signals. The adjustment for the facilities contract is pending the data for the first half of calendar 2022. The bus operations and maintenance contract is subject to both a CPI adjustment (not to exceed 3%) and wages agreed upon from the contractor's collective bargaining agreements.

Increased wages for bus operators, beyond the collective bargaining agreement, are included in the FY2023 Operating Budget.

- The fuel budget is based on the FY2023 SIP. Fuel costs are anticipated to remain high during FY2023. The FY2023 budget assumes a pre-tax cost of \$3.92 per gallon for diesel (higher by 76% compared to the FY2022 budget) and Compressed Natural Gas (CNG) prices higher by 28% compared to the FY2022 budget. Diesel consumed for the increased COASTER service frequencies will be funded with TransNet 8.1% funds.
- The FY2023 budget includes mobilization and transition costs for maintenance-of-way, maintenance of signals, and facilities maintenance. As services are re-procured, costs are anticipated to increase due to inflation and more robust scopes of work. The implementation of the new rail and facilities business model will result in some duplicative costs that will be resolved as contracts expire.
- Property and liability insurance premiums are anticipated to increase in FY2023. FY2022 actual liability insurance costs were under budget by \$1.2 million; however, there is no assurance that budget savings will be realized in FY2023. The insurance market continues to be challenging due to factors well beyond NCTD's control. As a result, NCTD budgets for rates to significantly increase year-over-year.
- Professional services include the Bombardier facilities maintenance contract, technical support and material management services, law enforcement and security contract with the San Diego Sheriff's Department, legal services, fare collection costs, bridge inspections and repairs, PTC costs, audit costs, software maintenance, electrical, plumbing, various maintenance costs, train cleaning, project study reports, micro-transit software, studies for future revenue-generating projects, studies for service improvements, and studies to support discretionary grants applications. Some studies were funded but not completed in FY2022 and/or are ongoing through FY2023.
- FY2023 will be the first year that includes a full year of Positive Train Control (PTC) operating expenses. Prior costs were funded by the PTC capital project and these funds will be spent and/or encumbered by December 2022. PTC operating costs of \$3.3 million are included in the FY2023 Operating Budget.
- On December 16, 2021, NCTD's Board authorized the execution of an agreement with Siemens (Agenda Item No. 11) for the provision of SPRINTER materials to support routine maintenance under a base cost and overhaul materials provided pursuant to issuance of a task order, dedicated on-site and remote staff to support vehicle maintenance and administration of asset management system, and use of Siemens' CORMAP asset management system. A portion of the materials costs under the Siemens agreement was reduced from Bombardier's rail operations and maintenance agreement. A net increase in costs of \$1.6 million is included in the FY2023 Operating Budget.
- A contingency expense of \$1 million has been established for unforeseen circumstances or emergencies.
- Other recurring operating expenses are projected to increase around 3%-5% compared to FY2022 based on anticipated inflation rates.

- The pension unfunded accrued liability payment of \$4.8 million and SPRINTER debt principal payment of \$1.35 million will be paid from net assets and are not included in the FY2023 Operating Budget.

## FY2023 Operating Budget Summary

Below is the summary overview of the FY2023 Operating Budget:

	FY2021 Actual	FY2022 Budget	FY2022 Forecast	FY2023 Proposed Budget	Increase/ (Decrease) from FY2022 Budget (#)	Increase/ (Decrease) from FY2022 Budget (%)	Trend	Increase/ (Decrease) from FY2022 Forecast (#)	Increase/ (Decrease) from FY2022 Forecast (%)	Trend
<b>Operating Revenues</b>										
Passenger Fares	\$ 5,704,716	\$ 11,934,188	\$ 8,069,623	\$ 9,717,148	\$ (2,217,040)	-18.58%	●	\$ 1,647,525	20.42%	●
Non-Transportation Revenues	4,267,796	2,663,012	3,721,511	2,752,052	89,040	3.34%	●	(969,459)	-26.05%	●
Audiliary Revenues	9,898,891	9,813,372	10,311,346	10,862,105	1,048,733	10.69%	●	550,759	5.34%	●
Federal Grants	49,671,769	58,190,340	61,000,197	56,815,483	(1,374,857)	-2.36%	●	(4,184,714)	-6.86%	●
State Grants	5,835,113	5,924,042	5,838,364	9,949,151	4,025,109	67.95%	●	4,110,787	70.41%	●
Local Grants	39,815,029	56,180,023	44,561,686	80,081,686	23,901,663	42.54%	●	35,520,000	79.71%	●
	115,193,314	144,704,977	133,502,727	170,177,625	25,472,648	17.60%	●	\$ 36,674,898	27.47%	●
<b>Operating Expenditures</b>										
Salaries and Wages	\$ 10,505,304	\$ 14,729,595	\$ 12,424,941	\$ 26,658,611	\$ 11,929,016	80.99%	●	\$ 14,233,670	114.56%	●
Employee Benefits *	5,402,292	5,180,429	5,282,029	10,623,481	5,443,052	105.07%	●	5,341,452	101.13%	●
Professional Services	18,545,564	32,313,953	27,020,707	45,467,880	13,153,927	40.71%	●	18,447,173	68.27%	●
Materials and Supplies	5,081,385	8,641,365	7,858,574	13,411,754	4,770,389	55.20%	●	5,553,180	70.66%	●
Utilities	2,379,280	2,907,540	2,746,479	3,618,306	710,766	24.45%	●	871,827	31.74%	●
Casualty and Liability	4,916,951	8,101,000	8,202,829	8,437,400	336,400	4.15%	●	234,571	2.86%	●
Taxes	376,432	1,153,798	1,452,024	1,529,796	375,998	32.59%	●	77,772	5.36%	●
Purchased Transportation	61,614,872	67,293,978	66,702,648	55,720,386	(11,573,592)	-17.20%	●	(10,982,262)	-16.46%	●
Miscellaneous Expenses	562,504	1,505,637	861,671	1,831,718	328,081	21.66%	●	970,047	112.58%	●
Debt-Related Expense	763,061	1,125,259	898,919	1,054,262	(70,997)	-6.31%	●	155,343	17.28%	●
Leases and Rentals	711,870	752,423	828,496	824,031	71,608	9.52%	●	(4,465)	-0.54%	●
Contingency	-	1,000,000	-	1,000,000	-	0.00%	●	1,000,000	100.00%	●
	110,859,515	144,704,977	134,279,317	170,177,625	25,472,648	17.60%	●	\$ 35,898,308	26.73%	●
	\$ 4,333,799	\$ -	\$ (776,590)	\$ -	\$ -			\$ 776,590		

\* Excludes GASB 68 and GASB 75 non-cash adjustments and the required Unfunded Accrued Liability (UAL) pension contribution

## 5-Year Plan

The 5-Year financial forecast is a planning tool designed to review the long-term outlook of the District's major cost drivers and available funding sources. It is updated annually to help identify opportunities or issues and serves as the foundation to guide decision making during the development of the operating and capital budgets. It also provides a stress test to identify cash needs if sources of revenue came lower than projected.

The 5-Year Plan is balanced. With that said, the 5-Year Plan is premised on ridership and revenue recovery and continued funding from local, state, and federal sources. The following key assumptions were used in the 5-Year financial forecast:

- **Fare revenues:** Fare revenues are based on the projected number of passengers by mode and rider category (adult, youth, senior and disabled) that pay fares for a single trip, day passes, or monthly passes, and multiplying by the average fare per boarding. Forecasted ridership by mode was derived from the 5-Year SIP. There are no fare increases included in the projections.
- **Federal Formula Revenues:** FY2023 amounts are based on the Federal Transit Administration's (FTA) published apportionment tables. FY2024-FY2027 revenues are estimated to be the same as FY2023 levels.
- **American Rescue Plan Act:** Revenues will be directed to cover payroll and operations of public transit. A total of \$50 million will be utilized from FY2023 through FY2026.



- The FY2023 TDA and *TransNet* apportionments were provided by SANDAG and presented in Agenda Item 11 of the SANDAG Board of Directors meeting of April 15, 2022. The FY2024-FY2027 TDA and *TransNet* estimates were provided by SANDAG and presented in Agenda Item 6 of the SANDAG Board of Directors meeting of February 18, 2022.
- State Transit Assistance (STA) and STA State of Good Repair: FY2024-FY2027 remain unchanged from FY2023 levels.
- State Rail Assistance (SRA): The FY2023-FY2025 estimates were provided by the California State Transportation Agency (CalSTA). FY2026-FY2027 was projected to remain the same as FY2025.
- COASTER Service Expansion Program is funded with *TransNet* 8.1% funds.
- Potential annual expense reductions are not included (staff vacancies, contractual liquidated damages, etc.)
- Other operating revenues and expenses are projected to increase by three (3) percent annually. FY2024 is re-baselined to exclude one-time expenses budgeted for FY2023.
- Payments of long-term obligations for the pension unfunded accrued liability and SPRINTER principal payments will be made from net assets.

Below is a summary overview of the 5-Year Plan:

	FY2023	FY2024	FY2025	FY2026	FY2027	5-Year Total
<b>TOTAL REVENUES</b>						
Passenger Fares	\$ 9,717,148	\$ 11,909,299	\$ 13,286,120	\$ 14,094,506	\$ 14,899,562	\$ 63,906,635
Non-Transportation Revenues	2,752,052	2,770,114	2,794,568	2,825,021	2,861,125	14,002,880
Auxiliary Revenues	10,862,105	11,187,969	11,523,608	11,869,315	12,225,396	57,668,393
Federal Grants	83,521,775	57,630,648	54,093,344	53,057,125	46,425,723	294,728,615
State Grants	22,960,687	22,704,687	21,012,687	21,012,687	21,012,687	108,703,435
Local Grants	95,879,802	96,003,463	80,605,234	83,097,873	85,599,105	441,185,477
	<b>225,693,569</b>	<b>202,206,180</b>	<b>183,315,561</b>	<b>185,956,527</b>	<b>183,023,598</b>	<b>980,195,435</b>
<b>FUNDS ALLOCATION</b>						
Capital Improvement Program *	55,318,944	39,580,360	16,033,377	3,939,013	4,643,390	119,515,084
Preventive Maintenance	45,067,007	46,419,017	47,811,588	49,245,936	50,723,314	239,266,862
Positive Train Control	3,270,436	3,368,549	3,469,605	3,573,693	3,680,904	17,363,187
Operating Expenses	121,840,182	112,838,254	116,000,991	119,411,520	122,975,867	593,066,814
	<b>225,496,569</b>	<b>202,206,180</b>	<b>183,315,561</b>	<b>176,170,162</b>	<b>182,023,475</b>	<b>969,211,947</b>
<b>Net Operating and Capital Surplus</b>	<b>\$ 197,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,786,365</b>	<b>\$ 1,000,123</b>	<b>\$ 10,983,488</b>
<b>LONG-TERM OBLIGATIONS (Funded from Net Assets)</b>						
CalPERS Unfunded Accrued Liability Payments	\$ 4,837,867	\$ 4,837,867	\$ 4,837,867	\$ 4,837,867	\$ 4,837,867	\$ 24,189,335
SPRINTER Debt Principal Payments	1,350,000	1,350,000	1,400,000	1,450,000	1,500,000	7,050,000
<b>Funded from Net Assets</b>	<b>\$ 6,187,867</b>	<b>\$ 6,187,867</b>	<b>\$ 6,237,867</b>	<b>\$ 6,287,867</b>	<b>\$ 6,337,867</b>	<b>\$ 31,239,335</b>

\* Board goal is \$15 million annually

### **FY2023-FY2027 Capital Improvement Program (CIP)**

For the five (5) fiscal years FY2023-FY2027, NCTD's capital needs total \$509.2 million for state of good repair projects that NCTD primarily implements and \$670.7 million for capacity enhancing projects (excluding the Del mar Tunnel and Carlsbad Trench) implemented by SANDAG under the TransNet Program (total of approximately \$1.2 billion). This CIP is solely focused on projects that will be funded and primarily implemented by NCTD.

The FY2023-FY2027 Unconstrained CIP identifies significant capital needs of the District's managed projects and highlights the funding needs to support the replacement of BREEZE Compressed Natural Gas buses and the transition of the BREEZE fleet to zero-emission hydrogen buses in order to comply with the California Air Resources Board's Innovative Clean Transportation regulation, replacement of aging bridges, double-tracking northward from the existing Control Point Songs [Milepost (MP) 207.7 to MP 209.18], maintenance and replacement of rail revenue rolling stock, state of good repair bus maintenance facilities improvements, Del Mar Bluffs stabilization, San Diego Double Track Phase 1, right-of-way improvements, and signal and Positive Train Control (PTC) modernization.

Following is a summary of the most significant unfunded FY2023-FY2027 needs:

- \$84.4 million for East and West bus divisions masterplans design and construction
- \$83 million for CP Songs double-track design and construction
- \$77.4 million for BREEZE fleet replacement and transition to zero-emission hydrogen buses
- \$33.6 million for various bridge replacements
- \$15.4 million for railroad control equipment and signals upgrades
- \$14.8 million for COASTER cab car replacements
- \$6.3 million for wireless mesh nodes
- \$6.1 million for wayfinding signage at transit stations and bus stops
- \$4.8 million to design and construct a new Maintenance of Way (MOW) facility

Major unfunded capacity enhancement projects include:

- \$199.3 million for Sorrento to Miramar Phase 2 (shovel ready)
- \$168.1 million for San Dieguito Lagoon double track and platform construction (shovel ready)
- \$90 million for Batiquitos Lagoon double track and bridge replacement (shovel ready)
- \$83.8 million for Carlsbad Village double track
- \$74.2 million for Eastbrook to Shell double track (shovel ready)

Below is the constrained FY2023-FY2027 Capital Improvement Program:

FTA Scope	FTA Scope Description	FY2023	FY2024	FY2025	FY2026	FY2027	Total
111	Bus Rolling Stock	\$ 10,420,963	\$ 9,333,024	\$ 587,260	\$ 587,260	\$ 587,260	\$ 21,515,767
113	Bus Stations, Stops and Terminals	80,000	-	-	-	-	80,000
114	Bus Support Equipment and Facilities	2,738,260	1,380,000	550,000	225,000	1,200,000	6,093,260
115	Bus Electrification and Power Distribution	1,410,000	-	-	-	-	1,410,000
121	Rail Rolling Stock	21,273,499	16,146,336	5,232,117	2,226,753	2,356,130	47,234,835
122	Rail Transitways and Lines	15,040,000	11,936,000	9,164,000	900,000	500,000	37,540,000
123	Rail Stations, Stops and Terminals	-	500,000	500,000	-	-	1,000,000
124	Rail Support Equipment and Facilities	4,137,672	285,000	-	-	-	4,422,672
126	Rail Signals and Communications Equipment	218,550	-	-	-	-	218,550
<b>Total Constrained CIP</b>		<b>\$ 55,318,944</b>	<b>\$ 39,580,360</b>	<b>\$ 16,033,377</b>	<b>\$ 3,939,013</b>	<b>\$ 4,643,390</b>	<b>\$ 119,515,084</b>

Below is the unfunded FY2023-FY2027 Capital Improvement Program:

FTA Scope	FTA Scope Description	FY2023	FY2024	FY2025	FY2026	FY2027	Total
111	Bus Rolling Stock	\$ -	\$ -	\$ 14,251,251	\$ 53,635,893	\$ 16,069,163	\$ 83,956,307
113	Bus Stations, Stops and Terminals	510,399	335,000	650,000	225,000	225,000	1,945,399
114	Bus Support Equipment and Facilities	3,955,000	8,875,616	22,582,000	23,266,500	40,117,000	98,796,116
121	Rail Rolling Stock	1,321,528	16,104,004	-	-	-	17,425,532
122	Rail Transitways and Lines	26,584,652	71,754,652	21,774,652	7,984,652	4,091,392	132,190,000
123	Rail Stations, Stops and Terminals	1,900,000	3,545,000	50,000	-	4,050,000	9,545,000
124	Rail Support Equipment and Facilities	3,113,250	6,998,000	1,215,000	1,580,000	5,110,000	18,016,250
126	Rail Signals and Communications Equipment	9,301,661	7,520,933	724,745	2,134,830	2,000,000	21,682,169
129	Fixed Guideway Associated Transit Improvements	1,900,000	4,200,000	-	-	-	6,100,000
<b>Total Unfunded Capital Needs</b>		<b>\$ 48,586,491</b>	<b>\$ 119,333,205</b>	<b>\$ 61,247,648</b>	<b>\$ 88,826,875</b>	<b>\$ 71,662,555</b>	<b>\$ 389,656,773</b>

On May 13, 2022, the NCTD Clerk of the Board published notice of the Public Hearing, including the date the documents would be made available for public review and comment. On June 1, 2022, NCTD is scheduled to post the budget documents for public review and comment. The public hearing and adoption of the FY2023 Proposed Operating Budget by NCTD's Board is scheduled for June 16, 2022. The budget information included in this letter should be considered preliminary, subject to public comments, a public hearing and final approval and adoption by NCTD's Board on June 16, 2022.

Sincerely,



Matthew O. Tucker  
 Executive Director

cc: NCTD Board of Directors  
 Lori A. Winfree, General Counsel, NCTD  
 Eun Park-Lynch, Chief Financial Officer, NCTD

June 3, 2022

## San Vicente Comprehensive Multimodal Corridor Plan Update

### Overview

On September 27, 2019, the Board of Directors allocated funding to complete Comprehensive Multimodal Corridor Plans (CMCP) for 11 corridors throughout the region. CMCPs aim to inform decision-makers by providing a framework for an integrated transportation system by working with stakeholders and incorporating local, state, and federal policy considerations. The San Vicente Corridor was identified as one of the five CMCP corridors to be completed in the first half of the corridor plan program.

The San Vicente Corridor includes the City of Poway, the County of San Diego (the communities of Ramona and Lakeside) and the Barona Indian Reservation. Major transportation facilities included in the study area are State Route 67 (SR 67) between Maplevue Street in Lakeside to State Route 78 (SR 78) in Ramona, SR 78 within the Ramona Community Plan Area, Wildcat Canyon Road, and other local arterial roadways including roadway connections to tribal lands, Metropolitan Transit System (MTS) and North County Transit District (NCTD) transit service, bicycle, pedestrian, and equestrian facilities. Transportation Solution strategies that are identified through the CMCP process in accordance with CTC guidelines are eligible for state funding opportunities.

### Key Considerations

Caltrans and SANDAG have been developing the San Vicente CMCP in collaboration with a Stakeholder Working Group made up of representatives from the City of Poway, County of San Diego, California Highway Patrol, CAL FIRE, NCTD, MTS, San Diego Sheriff, Tribal Government representatives, and members from the Lakeside and Ramona Community Planning Groups (CPGs). The CMCP also incorporates public and stakeholder input that included a virtual engagement tool, public meetings and presentations to the Lakeside and Ramona CPGs.

#### Action: **Discussion**

Staff will present draft transportation solution strategies for the San Vicente Comprehensive Multimodal Corridor Plan.

#### **Fiscal Impact:**

Completion of the corridor plan will allow SANDAG and Caltrans to compete for state Senate Bill 1 funds.

#### **Schedule/Scope Impact:**

The final San Vicente Comprehensive Multimodal Corridor Plan is anticipated to be completed in July 2022.

The corridor plan needs assessment identified several areas of need and proposed transportation solutions for each area:

Need	Proposed Solutions
<b>Evacuation</b>	Shoulder Widening, Class I Multiuse Path Addition, Emergency Communications Systems, Active Transportation and Demand Management (ATDM), Warning Alerts and Sirens, Smart Intersection Systems, Callboxes, Emergency Tow-Truck Deployment, Evacuation Staging Area, Increased Roadway Resilience, Fire Access Improvements, Visibility Improvements, On-Street Parking Restrictions
<b>Safety</b>	Falling Rock Protection Devices, Intersection Safety Improvements, Speed Studies, Runaway Truck Ramps, Two-Way Left-Turn Lanes, Increased Wayfinding Signage, Smart Parking Systems, Improved Vegetation Management, Dynamic Message Signs, Enhanced Delineation and Friction Treatments, Design Improvements, ITS Elements, Guardrail Evaluations, Fire Fuel Reduction, Wildlife Connectivity
<b>Active Transportation</b>	Class I Multi-Use Paths, Class II Buffered Bike Lanes, Class IV Bikeways, Bike Fix-It Stations, Bike Parking Areas, Equestrian Trails, Sidewalk Enhancements, Intersection Improvements, Traffic Calming, Main Street Revitalization, Parallel Low-Stress Routes
<b>Traffic Congestion and Goods Movement</b>	Truck Climbing Lanes, Intersection Control Evaluations, Turnouts/Viewpoints, Wayfinding Signage, Frontage Roads, Smart Intersection Systems, Truck Information Systems, New Fixed-Route Transit Service, On-Demand Microtransit Shuttles, and Rideshare Programs
<b>Utilities</b>	Broadband Access, EV Charging Stations, Backup Power Sources, Expanded Digital Infrastructure, Increased Utility Resiliency

The complete list of proposed transportation solutions organized by project type with implementation phases and high-level cost estimates are included in the draft CMCP document. The CMCP document also analyzed the impacts of the proposed transportation solutions network using qualitative and quantitative metrics.

### Next Steps

The draft CMCP document was released for public review on May 27, 2022, and the public comment period will close on June 27, 2022. The draft document was posted on the San Vicente CMCP [webpage](#) for review and comment. The final CMCP document is expected to be complete by July 2022.

The CMCP is also being developed simultaneously with the Caltrans *SR 67 Highway Improvements Project*, which is considering a range of alternatives to best support the evacuation needs of the corridor. The *SR 67 Highway Improvements Project* is a multi-year project that is currently conducting environmental studies and preparing the environmental document.

***Antoinette Meier, Senior Director of Regional Planning***

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