

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Executive Board Committee Meeting Date	Open	Information	Issue Date
2	06/01/09	Open	Information	05/20/09

Subject: FY 2010 Operating Budget Status Update

ISSUE

To provide the Executive Board Committee with a FY 2010 Operating Budget status update.

RECOMMENDED ACTION

None. Informational only.

DISCUSSION

The purpose of this Issue Paper is: (1) to highlight major impacts to RT revenues resulting from recently developed revenue shortfalls, (2) to provide the Executive Board Committee with an update on the RT's FY 2010 operating budget status, and (3) to discuss options for potential fare structure adjustments.

FY 2010 Operating Budget status

The preliminary FY 2010 Budget was released for public review on April 13, 2009. Following the release, RT staff have continued to evaluate and update all revenue projections. Since the adoption of the budget, sales tax related revenue sources have continued to decline due to the struggling State economy. On April 9, 2009, the Sacramento Transportation Authority received the revised Measure A distribution schedule which reduced RT FY 2009 Measure A funding by \$4.1 million. This news followed RT's FY 2009 Operating Budget adjustment to reflect a \$3.7 million reduction in State Transit Assistance funding, bringing the estimated revenue reduction due to the decline in sales tax to \$7.9 million in FY 2009.

The RT Executive Management Team and the Board of Directors are doing everything possible to contain and reduce operating costs to meet the continuing revenue shortfall challenges, including the following:

- Hiring freezes were instituted and have been in effect at RT for all non-critical positions, district-wide, for the past two years.
- RT is currently in the process of negotiating or preparing for the negotiations of new labor agreements with all union groups. The new contracts will require a "net-zero" increase over the base FY 2009 year for all labor groups. To reach this objective, labor groups are presented with some or all of the following options: furlough days, elimination of step and COLA increases, suspension of sick leave and vacation sell back, increase employee's contribution towards medical premiums, pay more in medical office co-pay plus other adjustments to benefits.

Approved:


General Manager/CEO

Presented:


Chief Financial Officer

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- FY 2010 Paratransit and Security Services contract amounts, which account for 76% of the *Professional Services* expense category, will remain the same as in FY 2009.
- Multiple facility related contracts are being reduced to reflect internal service cuts such as limiting janitorial contracts to five days of week instead of seven.
- RT staff and consultants developed an indirect cost allocation plan, which currently is in the process of FTA review and approval. This plan will reduce operating expenditures by approximately \$2.0 million in FY 2010 and every year thereafter by charging capital projects with applicable indirect costs in addition to direct labor cost charges.

Below is a table that shows the changes between the FY 2010 Operating budget presented on May 11, 2009 and the updated version with all known revenue shortfalls and adjustments.

	FY 2009 Forecast	FY 2010 Budget 05-11-09	FY 2010 Budget 06-01-09	Change	Description
Revenues:					
Federal	\$ 30,195	\$ 30,032	\$ 30,032	\$ -	
State & Local	70,008	58,719	58,719	-	
Fares	34,244	40,826	37,826	(3,000)	To reflect shifting between fare categories
Contract Services	4,288	4,130	4,130	-	
Other	8,246	11,259	5,259	(6,000)	Projected carryover reduction
Total	\$ 146,981	\$ 144,966	\$ 135,966	\$ (9,000)	
Expenses:					
Salaries & Benefits	\$ 91,731	\$ 91,874	\$ 91,874	\$ -	
Professional Services	25,723	25,125	25,125	-	
Materials & Supplies	9,970	9,513	9,513	-	
Utilities	5,338	5,451	5,451	-	
Insurance & Liability	10,145	10,271	10,271	-	
Other Expenses	2,090	2,732	2,732	-	
Adjustments to be determined		-	(9,000)	(9,000)	Shortfall to be met with service cuts, fare structure adjustments, and cost-reduction measures
Total	\$ 144,997	\$ 144,966	\$ 135,966	\$ (9,000)	

RT service levels have remained the same since the January, 2008, 5% reduction enacted to balance the FY 2008 budget. Fare changes enacted to balance the FY 2009 budget included the elimination of the Paratransit group pass on December 1, 2008, and various fare increases on January 1, 2009. At that time, the monthly pass increased from \$85.00 to \$100.00; single fare - from \$2.00 to \$2.25; and the daily pass from \$5.00 to \$6.00. While calculating the projected fare revenue for FY 2009, it was assumed that there would be minimal ridership deflection and minimal shifting between fare categories. Ridership has been very strong for last 12 months and the low ridership deflection assumption came true. However, following the January 2009 fare increase, sales indicate that customers have started to switch from buying the monthly pass to other fare media or that purchases are generally down.

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Some factors that may explain the change in buying patterns include State agencies implementing work furlough programs; the increase by \$10.00 in State employees' out-of-pocket cost between paying for a monthly pass and paying for four ticket books; the high unemployment rate in the Sacramento Region, which has almost doubled in the last year, and lower gas prices.

Staff is now estimating FY 2009 Fare Revenue to be about \$2.6 million below budget. The factors noted above are expected to continue to have a negative impact on the FY 2010 Fare Revenue projections as well. If all factors remain the same, it is likely that Fare Revenue will be lower than currently budgeted by as much as \$3.0 million. In order for RT to meet the earlier projected Fare Revenue of \$40.8 million, adjustments to the fare structure may be needed. Staff is working with model projections on various combinations of modifications to the fare structure such as increasing the single fare, increasing the daily pass, and eliminating or modifying the lifetime pass.

The reduction of \$6.0 million in carryover due to the FY 2009 Measure A and Fare Revenue shortfalls as well as the potential reduction of \$3.0 million in the FY 2010 Fare Revenue projections will result in an estimated \$9.0 million shortfall in the FY 2010 Operating Budget. This shortfall can be balanced with several possible combinations of service reductions, fare adjustments, and other cost-reduction measures.

See Attachment 1, FY 2010 Abridged Proposed Budget.

Fare structure adjustment options

Several options for fare structure adjustments under consideration include:

- *Increase single fare* from \$2.25 to \$2.50. Based on a review of actual fares from January 2009 through April 2009, and estimating changes in buying patterns and ridership, the estimated annual increase in fares would range from \$530,000 to \$1,200,000. The lower number represents a 10% deflection and an assumption that there will be no shifting between single fare and monthly pass sales (buying pattern will remain the same as they are now). The higher amount represents zero deflection, and an assumption that approximately 50% of those riders who switched to buying single fare tickets will switch back to buying monthly pass.
- *Increase discounted fares from \$1.10 to \$1.25.* RT's discounted fare represents approximately 50% of the basic single fare. An increase in the single fare from \$2.25 to \$2.50 would correspondingly increase the discounted fares from \$1.10 to \$1.25. The current discount fare of \$1.10 was initiated to eliminate the need to transact fares with odd cents. The true 50% discount on the current base fare would be \$1.12 - \$1.13 depending upon rounding up or down. Increasing the basic fare to \$2.50 would evenly divide to provide a true \$1.25 discounted fare. The estimated annual increase in fares, based on prepaid sales and cash sales from fare vending machines, due to the increase in discounted fares would be approximately \$108,000.

Agenda Item No.	Executive Committee Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
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- *Increase daily pass from \$6.00 to \$6.50.* Increasing the daily pass to \$6.50 would increase annual revenue by approximately \$170,000 based on 10% deflection.
- *Eliminate Lifetime Pass:* Patrons 75 and older currently ride the RT system for free. There are about 700,000 boarding's per year. Riders who currently use it would still be eligible for the senior discount of 50%, or \$1.10 for a single ride. Estimated revenue with a 20% deflection rate is estimated to be \$616,000 per year.
- *Increase Age Qualification for Lifetime Pass:* Sacramento County demographics indicate that of the population age 75 and older, 76% are between the ages of 75-84, and 24% are age 85 and older. Increasing the age qualification for the Lifetime Pass to age 85, with all current pass holders eligible for the senior discount of 50%, could increase annual revenue by as much as \$468,160, assuming a 20% deflection rate.
- *Eliminate Paratransit Monthly Pass or Increase the price:*

The Board last considered and rejected staff's proposal to increase the Paratransit monthly pass last Fall as a re-balancing strategy for the FY 2009 Budget.

As part of the FY 2010 Budget process, Accessible Services has been working with Paratransit Inc. to modify or adjust contract services to stay at or below FY 2009 costs.

Stemming from discussions with Paratransit Inc., Accessible Services has requested reconsideration of increasing the cost of the Paratransit monthly pass, or its elimination in favor of an alternative process limiting the number of rides allowed for \$100.00 per month.

Through RT, Paratransit, Inc. has offered a monthly pass as a convenience to its riders for many years, although a monthly pass is not required by ADA regulations. In the past eighteen years, the pass rate has increased only once from \$80 to \$100 in January 2003, while the single ride ADA fare has increased from \$1.00 to \$4.50 during that same time period.

Monthly pass sales have nearly quadrupled since January of 2003, from about 100 passes sold per month to over 400 passes sold per month. At \$4.50 per ride, a monthly pass pays for 22.2 trips per month. While some pass holders take maximum advantage of the pass and use it for as many as 400 rides per month, average trips taken per month by pass holders is approximately 29, compared to passengers paying a single ride fare who take about 3 trips. The frequency of travel for monthly pass holders (29 trips) means that pass holders take nearly eight free trips per month, which equals \$173,232 in lost fare revenue annually.

The cost per trip to RT for a paratransit ride is \$44.33. Annualized, 401 people taking eight additional trips costs RT \$1.7 million dollars. Assuming riders will use other means of transportation for the eight additional rides per month, considerable savings could be achieved in this area.

In addition, it appears that the increase in ridership due to the monthly pass is also impacting service capacity. RT staff is conducting further analysis on how the monthly pass is impacting ridership and paratransit costs, as well as investigating alternatives to a monthly pass, such as a multi-ride ticket or coupon book that would offer a slight discount.

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Potential Re-Balancing Strategy for the FY 2010 Budget:

Staff continues to work diligently to reduce the budget based on cost reductions. However, the magnitude of the potential shortfall will require some combination of fare increases and service cuts to bridge the gap.

Current estimates are that the potential increase in fares resulting from the implementation of the proposed fare structure changes effective September 1, 2009 outlined in this issue paper will reduce the anticipated fare revenue shortfall by approximately \$1.3 to \$1.8 million.

\$7.2 million in service reductions and other cost containment measures will be required in FY 2010 to meet the remaining shortfall. Staff is proposing a phased approach with approximately \$2.1 million in service reductions to be implemented on September 1, 2009, with another \$5.1 million or less, in service reductions to be implemented January 1, 2010, depending upon certain defined circumstances. The exact amount of the second phase of the service reduction would depend upon fare revenues and cost savings. Other cost containment measures currently being evaluated include additional reductions to professional services and other non-labor costs of approximately \$2.0 million, and additional savings in labor costs due to attrition.

The underlying goal is to limit service reductions as much as possible. The second phase service reduction is proposed only to balance the budget by June 30, 2009, based on the best information currently available. If fare revenues exceed expectations and/or staff is able to cut costs in other significant ways, the level of service reductions required in the second phase would be reduced.

Staff proposes to structure the request for Board approval in such a way that modifications to the levels of service reductions proposed for both the September 1, 2009, and January 1, 2010, implementation dates would be approved with built in contingency factors for modifications to the second phase.

Schedule of Upcoming Events:

- June 8, 2009 – Board of Directors meeting. FY 2010 Budget Update
- June 9, 2009 – Mobility Advisory Council meeting. FY 2010 Budget Update
- June 22, 2009 – Board of Directors meeting. Continue Public Hearing and Adoption of the FY 2010 Budget



Sacramento Regional Transit District

Abridged Proposed Budget Fiscal Year 2009-2010

Table of Contents

Board of Directors	3
Executive Team	4
Organizational Structure	5
District Overview	
District Profile	6
Strategic Plan	7
Budget Process	9
Voting System	10
Operating Budget Summary	
Revenues	12
Expenses	15
Positions	18
Capital Improvement Plan	19
Capital Improvements By Category	20
Capital Improvement Funding Additions	21

Board of Directors

Steve Cohn, Chair

City of Sacramento

Steve Miller, Vice Chair

City of Citrus Heights

Roger Dickinson

County of Sacramento

Lauren Hammond

City of Sacramento

Pat Hume

City of Elk Grove

Roberta MacGlashan

County of Sacramento

Andy Morin

City of Folsom

Don Nottoli

County of Sacramento

Bonnie Pannell

City of Sacramento

David Sander, Ph.D.

City of Rancho Cordova

Ray Tretheway

City of Sacramento

Board of Directors Alternates

Steve Detrick

City of Elk Grove

Jeff Slowey

City of Citrus Heights

Robert McGarvey

City of Rancho Cordova

Executive Team

Mike Wiley
General Manager/CEO

Bruce Behrens
Chief Legal Counsel

Dee Brookshire
Chief Financial Officer

Larry Corcoran
Compliance and Quality Assurance Auditor

RoseMary Covington
Assistant General Manager, Planning & Transit System Development

Dan Bailey
Chief Administrative Officer

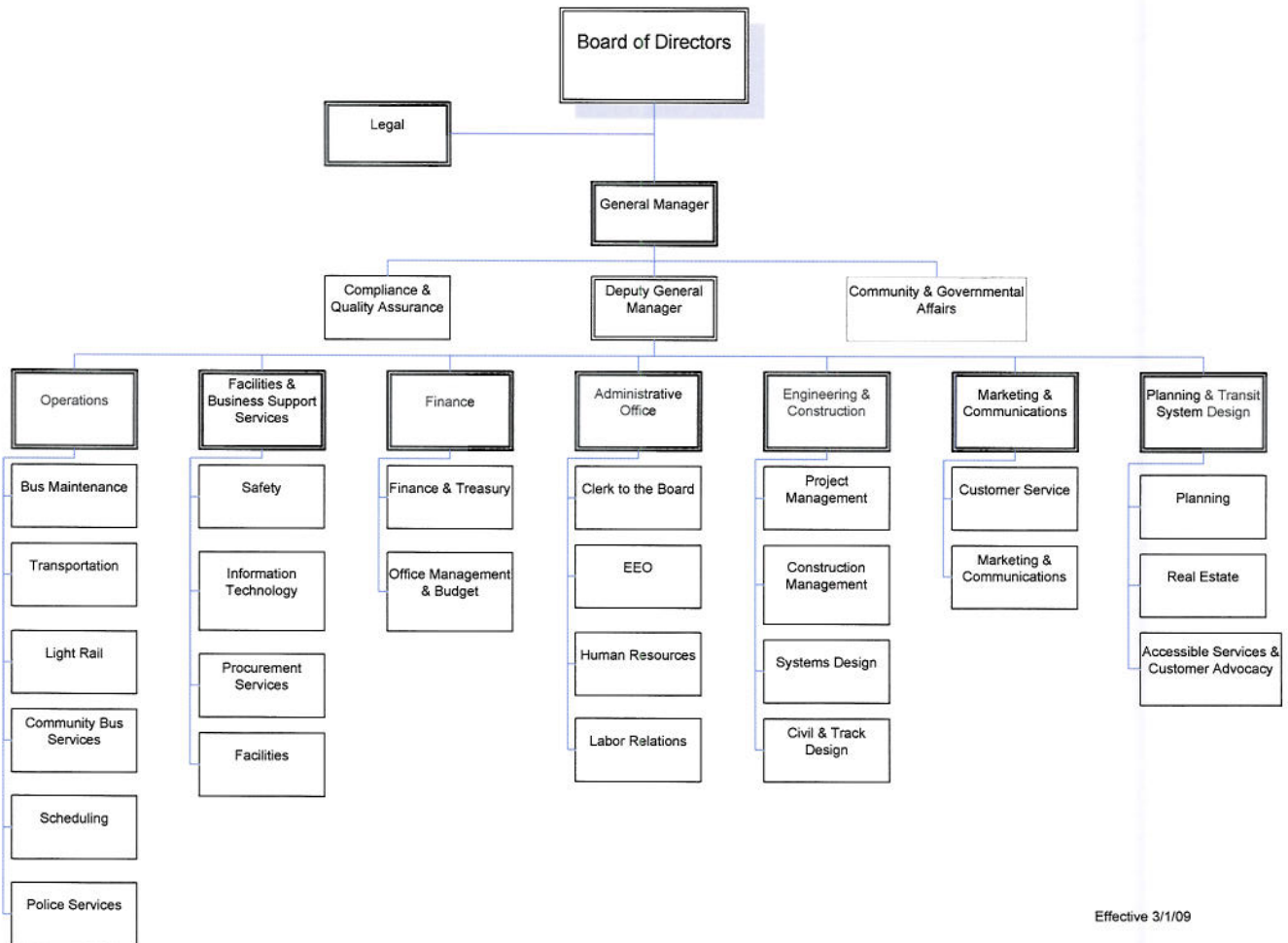
Mark Lonergan
Chief Operating Officer

Alane Masui
Assistant General Manager, Marketing and Communications

Mike Mattos
Chief of Facilities & Business Support Services

Diane Nakano
Assistant General Manager, Engineering and Construction

Organizational Structure



Effective 3/1/09

District Profile

Facts

Sacramento Regional Transit District	Constructs, operates, and maintains a comprehensive mass transportation system that serves 418 square miles in Sacramento County
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Bus Service	
Power	Compressed Natural Gas, Diesel, Gasoline
Routes	94
Schedule	5:04 am to 11:33 pm daily
Stops	3,500
Vehicles	216 CNG Buses; 4 CNG Replica Streetcars; 20 Shuttle Vans (11 diesel, 9 gasoline)
Annual Ridership	17,465,817

Light Rail Service	
Power	Electrical
Miles	37.42
Schedule	3:50 am to 12:50 am daily
Stops	48
Vehicles	76
Annual Ridership	15,484,670

Paratransit	
ADA Passenger Trips Provided	330,616
ADA Vehicle Revenue Miles	3,102,585
Vehicles	109

Passenger Amenities/ Customer Service	
Transfer Centers	26
Park & Ride	18
Annual Customer Service Calls	950,904
Customer Info Line	(916) 321-2877
Website	www.sacrt.com

History	
Apr 1, 1973	Began operations by acquiring the assets of Sacramento Transit Authority
1973	Completed new maintenance facility and purchased 103 new buses
1987	Opened the 18.3-mile light rail system, linking the northeastern Interstate 80 and southeastern Highway 50 corridors with Downtown Sacramento
Sep 1998	Completed the first light rail extension to Mather Field/Mills Station along the Gold Line corridor
Sep 2003	Opened the South Line, extending light rail to South Sacramento
Jun 2004	Extended light rail from Mather Field/Mills to Sunrise Boulevard
Oct 2005	Extended light rail from Sunrise Boulevard to Folsom, including four new stations
Dec 2006	Extended light rail from downtown Sacramento to Sacramento Amtrak station

Strategic Plan

Adopted by the Board of Directors in January 2004, the RT strategic plan establishes RT's commitment to become a more efficient and competitive public transportation provider in the Sacramento region.

The Strategic Plan outlines the way RT will implement the Regional Metropolitan Transportation plan and defines RT's vision and mission. These purposes require that RT align its goals with the Region's, shape activities to support the goals, responsibly manage the things that are done, commit resources, and measure performance.

RT acts as the Region's focal point for transit research and development, strategic planning and system assessment, intermodal research coordination and facilitation, and transit education and safety training. RT's programs involve multiple modes of transportation.

This plan is RT's commitment to the people of the Sacramento Region to make their lives better. RT will accomplish this through regional leadership, ethical and sound business practices, and financial sustainability. RT will continue to focus on customer service and provide safe, clean, and reliable transportation service. To prepare for future needs in the 21st Century, RT will build and continuously develop a highly skilled transportation workforce, and will increase our readiness to respond to transportation emergencies that disrupt communities and affect our customers throughout the region. RT will continue to challenge itself to meet the growing transportation needs of the Sacramento Region.

The RT Strategic Plan on the following page is the result of the hard work of many of RT's employees and partners who are dedicated to leading the way to transportation excellence in the 21st Century. The plan is best seen as an evolving process, not a rigid or fixed document. This strategic plan will change as the needs of the Region change and reflect the transportation requirements of the Region.

Strategic Plan, cont.

Strategic Plan

Our Mission

To promote and enhance regional mobility and serve the public by providing quality transit services and solutions that improve the overall quality of life in the Sacramento region

A coordinated regional public transportation system that delivers quality and environmentally sensitive transit services that are an indispensable part of the fabric of communities throughout the Sacramento region

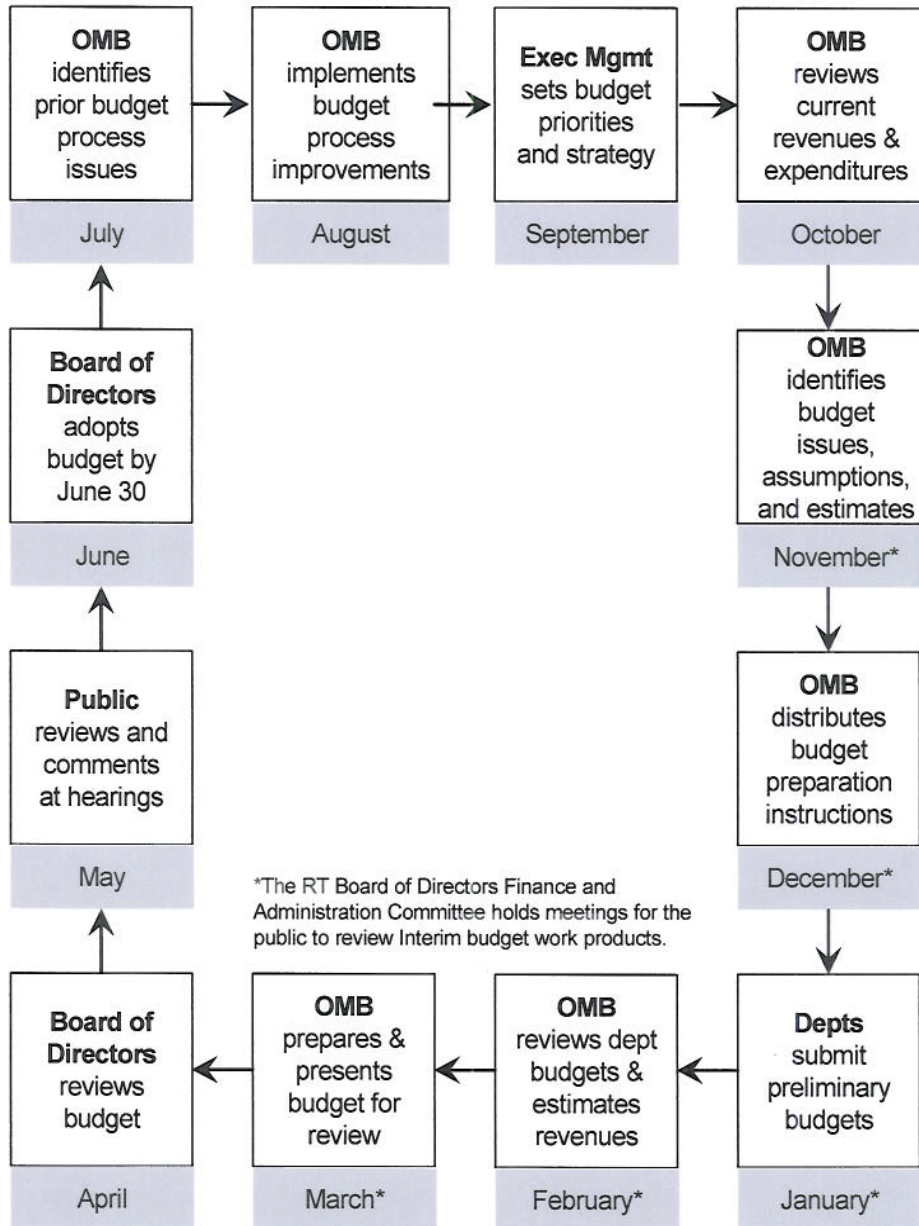
Our Vision

Our Values & Goals	
Values	Goals
Customer service	1. Provide total quality customer services.
Ethical & sound business practices	2. Conduct our business in a sound and ethical manner.
Financial sustainability	3. Secure the financial means to deliver our services and programs.
Quality workforce	4. Be a great workplace, attract and retain a qualified, talented, and committed workforce.
Regional leadership	5. Create a "world class" regional transit system

Budget Process

RT uses the annual budget to help measure and account for taxpayer dollars. The budget, as adopted by the Board of Directors, authorizes RT to spend funds. It details how RT allocates tax resources to expenditures and serves as a benchmark for evaluating accomplishments and assessing fiscal responsibility.

Budget Process



Voting System

RT is governed by an eleven-member Board of Directors. Six entities (5 cities and 1 county) make appointments to RT's Board. Eight directors are appointed by "member entities" and represent jurisdictions annexed into RT's district. Three directors are appointed by "participating entities" and represent jurisdictions that contract with RT to receive transit service.

In January 2006, the RT Board directed staff to pursue legislation to change the voting system from a one-member-one-vote system to one that provides for weighted voting based upon the financial contribution made by each entity to RT. Assembly Bill 2137 established the new weighted voting system.

The system creates 100 voting shares. RT allocates the shares to jurisdictions and their members as follows:

- Five shares to each annexed jurisdiction
- Remaining shares to all jurisdictions based on financial contribution of Transit Development Act funds, funds through contracts, other local funds, and federal funds

On March 12, 2007, the RT Board of Directors adopted the new Schedule of Weighted Voting Distribution for the remainder of FY 2007. For all subsequent years, the Schedule is to be included in the proposed budget document and distributed to voting entities at least 60 days in advance of budget adoption. A summary of the tabulated vote shares adopted for FY 2009 and proposed for FY 2010 is shown in the table below. A detailed Proposed FY 2010 Schedule of Weighted Voting is shown on the next page.

Vote Shares By Jurisdiction

Jurisdiction	Status	Shares - FY 2009 Adopted	Shares - FY 2010 Proposed
County of Sacramento	Annex	42	42
City of Sacramento	Annex	36	36
City of Rancho Cordova	Annex	9	9
City of Citrus Heights	Contract	6	6
City of Elk Grove	Contract	4	4
City of Folsom	Contract	3	3
Total		100	100

Voting System, cont.

Fiscal Year 2010 Schedule of Weighted Voting Distribution
Base Values*

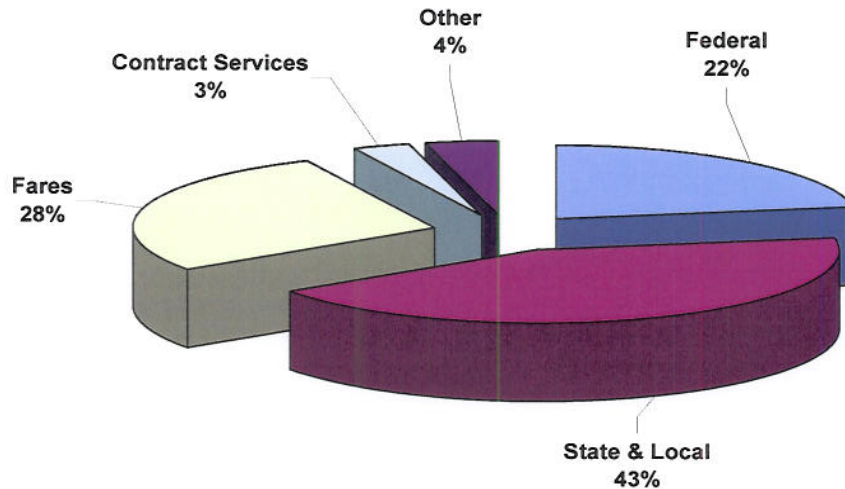
		<u>Federal Financial Information</u>						
Code Section:	<u>FY 09 Federal Funds Available in the Sacramento MSA</u>	29,811,349						
102205(b)(6)								
102205(b)(7)	<u>Allocation of Federal Funds to jurisdictions other than RT</u>	3,912.446						
102205(b)(8)	<u>FY 09 Federal Funds Available for use in RT Service Area:</u>	25,898,903						
		<u>Jurisdiction Specific Values</u>						
		City of Sacramento	County of Sacramento	Rancho Cordova	Citrus Heights	Folsom	Elk Grove	Totals:
102205(b)(10)	<u>Population:**</u>	475,743	563,514	60,975	87,321	75,590	139,542	1,402,685
	<u>Proportionate Population:</u>	33.92%	40.17%	4.35%	6.23%	5.39%	9.95%	100.00%
	<u>Member:</u>	Yes	Yes	Yes	No	No	No	
102100.2, 102100.	<u>Seats on the Board:</u>	4	3	1	1	1	1	11
102105.1(d)(2)(D)	<u>Federal Funds Attributed to Entity (Total Federal Funding x Share of Population):</u>	8,784,026	10,404,613	1,125,831	1,612,278	1,395,679	2,576,476	25,898,903
102105.1(d)(2)(A), 102205(b)(3)	<u>FY 10 State TDA Funds Made Available to RT:</u>	13,162,328	14,884,535	1,686,770	0	0	0	29,733,633
102105.1(d)(2)(B), 102205(b)(4)	<u>FY 10 Funds Provided Under Contract:</u>	0	0	0	2,561,589	971,400	596,633	4,129,622
102105.1(d)(2)(C), 102205(b)(5)	<u>FY 10 Other Local Funds</u>	0	0	0	0	0	0	0
102105.1(d)(2)	<u>Total Financial Contribution:</u>	21,946,354	25,289,148	2,812,601	4,173,867	2,367,079	3,173,109	59,762,158
102105.1(d)(2)	<u>Proportionate Financial Contribution:</u>	36.72%	42.32%	4.71%	6.98%	3.96%	5.31%	100.00%
		<u>Voting Calculation</u>						
		City of Sacramento	County of Sacramento	Rancho Cordova	Citrus Heights	Folsom	Elk Grove	Totals:
102105.1(d)(1)	<u>Incentive Shares (5 for member jurisdictions)</u>	5	5	5	0	0	0	15
102105.1(d)(2)	<u>Financial Contribution Shares (Proportionate Financial Share x Remainder of 100 shares):</u>	31.2144	35.9689	4.0004	5.9365	3.3667	4.5131	85.0000
102105.1(d)(3)	<u>Total Shares:</u>	36.2144	40.9689	9.0004	5.9365	3.3667	4.5131	100.0000
102105.1(d)(4)(i)	<u>Shares After Rounding:</u>	36	41	9	6	3	4	99
102105.1(d)(4)(i), 102105.1(d)(4)(ii)	<u>Share Adjustment (To Ensure 100 Shares):</u>	36	42	9	6	3	4	100
102105.1(d)(7)	<u>Distribution of Shares Among Members (Assuming All Members Present to Vote):***</u>							
	Member 1	9	14	9	6	3	4	
	Member 2	9	14	N/A	N/A	N/A	N/A	
	Member 3	9	14	N/A	N/A	N/A	N/A	
	Member 4	9	N/A	N/A	N/A	N/A	N/A	
	Member 5	N/A	N/A	N/A	N/A	N/A	N/A	
	<u>Total Votes:</u>	36	42	9	6	3	4	100

* In addition to the funding sources set forth below, RT projects following funds for operating purposes: \$31,064,904 - Measure A

** Population as measured by the population statistics used by SACOG to allocate TDA funds for the same fiscal year for which the budget is adopted.

*** If, in any vote allocation, any member would have more than 15 votes, that jurisdiction will be given an additional seat and the votes will be reallocated to the larger number of members.

Revenues



Operating Revenue By Funding Source
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Actual	FY 2009 Adopted	FY 2009 Revised	FY 2010 Proposed	FY 2010 to FY 2009 Variance	FY 2010 to FY 2009 Percent
Federal	\$ 19,163	\$ 21,426	\$ 22,820	\$ 22,820	\$ 30,032	\$ 7,212	31.6%
State & Local	92,839	84,558	76,032	73,387	58,719	(14,668)	(20.0%)
Fares	27,101	29,866	36,808	36,808	37,826 ¹	1,018	2.8%
Contract Services	5,295	4,732	4,744	4,744	4,130	(614)	(12.9%)
Other	1,173	12,294	8,719	8,245	5,259 ²	(2,986)	(36.2%)
Total	\$ 145,571	\$ 152,876	\$ 149,123	\$ 146,004	\$ 135,966	\$ (10,038)	(6.7%)

Federal Economic Stimulus Funds (ARRA)

8,000

Grand Total

\$ 154,004

¹ Fare Revenue Reduction

² Carryover Reduction

Revenue cont.

Federal Funding

This category includes formula-based allocations to RT from the federal government. Each year Congress authorizes the appropriation and the Federal Transit Administration allocates the dollars to RT. RT can use the funds for operating, planning, and capital, subject to specific regulations.

- The FY 2010 Budget proposes \$30.0 million in federal funding, a decrease of \$0.8 million (-2.6%) from the FY 2009 Revised Budget (\$30.8 million).
- The American Recovery and Reinvestment Act (ARRA) was signed into law February 17, 2009. The Act provides \$8.4 billion to public transit. About \$6 billion of this amount will be distributed according to Section 5307 and Section 5309 allocation rules. The Sacramento region will receive about \$31 million. Of this amount, RT will receive \$8.0 million in FY 2009 and \$6.0 million in FY 2010 to cover preventive maintenance and ADA program costs.
- The FY 2010 Budget reflects a decrease in ARRA funding of \$2.0 million and an increase in Section 5307 Urbanized Area Formula of \$1.2 million.

State and Local Funding

This category includes formula-based allocations to RT from state and local government sales taxes. RT receives funding from the California Transportation Development Act Local Transportation Fund (TDA-LTF), the Transportation Development Act State Transit Assistance Program (TDA-STA), and Sacramento County Measure A.

- The FY 2010 Budget proposes \$58.7 million in state and local funding revenue, a decrease of \$14.7 million (-20.0%) from the FY 2009 Revised Budget (\$73.4 million).
- This reflects a decrease in Measure A revenue of \$7.2 million and a decrease in TDA revenue of \$7.5 million.
- The \$58.7 million allocation includes \$31.0 million in Measure A funds and \$27.7 million in LTF funds.
- The revisions to the State budget provide STA funding through FY 2008-09, then the STA funding is eliminated in FY 2009-10 and future years.

Fares

This category includes rider monies deposited in the fare box and the sale of tickets and passes.

- The FY 2010 Budget proposes \$37.8 million in fare revenue, an increase of \$1.0 million (2.8%) from the FY 2009 Revised Budget (\$36.8 million).
- Transit fares, representing approximately 28% of all operating revenue, are the only significant revenue source that RT directly controls.
- FY 2010 fare revenue projections are reduced by \$3.0 million from \$40.8 million to \$37.8 million due to the revised projection based on the FY 2009 January through April fare and sales trends.

Revenues, cont.

Contract Services

This category includes contracts with the cities of Citrus Heights, Elk Grove, and Folsom. These cities purchase RT transit services.

- The FY 2010 Budget proposes \$4.1 million in contract revenue, a decrease of \$0.6 million (-12.9%) from the FY 2009 Budget (\$4.7 million).
- This decrease is due to the Folsom contract decrease of \$0.18 million and Citrus Heights decrease of \$.47 million. Elk Grove contract is slightly increased by \$0.04 million.

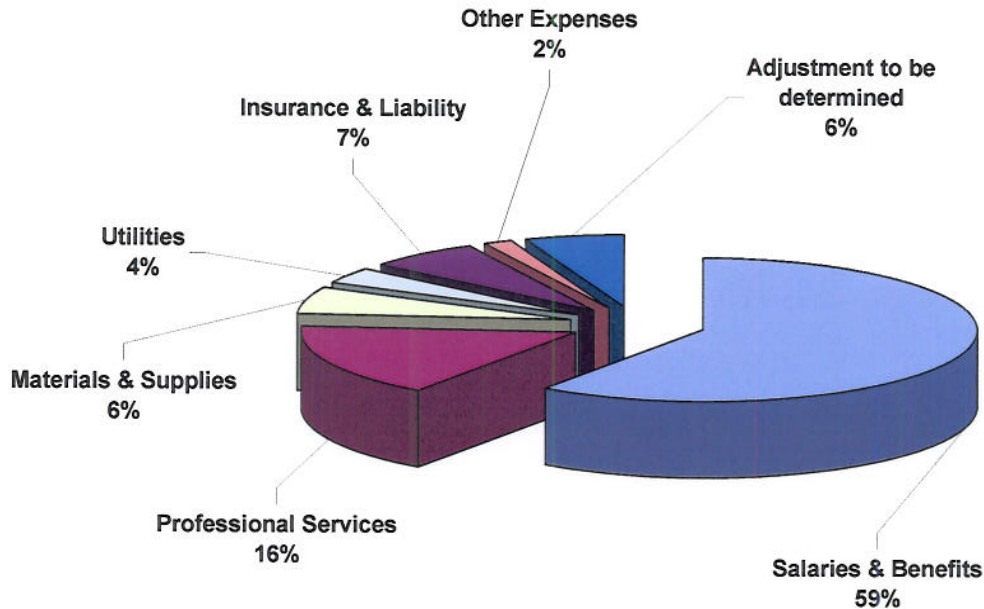
Other

This category includes investment income, commercial real estate leases, advertising income, bus book sales, fare evasion fines, promotional item sales, and photo identification activities.

- The FY 2010 Budget proposes \$11.3 million in other revenue, a increase of \$3.0 million (36.6%) from the FY 2009 Revised Budget (\$8.2 million).
- An increase in advertising revenue of \$0.2 million.
- A decrease in CNG tax rebate of \$0.8 million.
- A reduction of \$6.0 million in carryover funds due to FY 2009 fare revenue trending below budget and a reduction in FY 2009 Measure A allocation.

Expenses

Operating Expenses By Expense Category



Operating Expenses By Expense Category

(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Actual	FY 2009 Adopted	FY 2009 Revised	FY 2010 Proposed	FY 2009 to FY 2010 Variance	FY 2009 to FY 2010 Percent
Salaries & Benefits	\$ 86,678	\$ 92,661	\$ 94,000	\$ 91,131	\$ 91,874	\$ 743	0.8%
Professional Services	22,457	25,071	25,910	25,910	25,125	(785)	(3.0%)
Materials & Supplies	9,285	10,817	10,588	10,338	9,513	(825)	(8.0%)
Utilities	4,937	5,550	5,592	5,592	5,451	(141)	(2.5%)
Insurance & Liability	9,774	11,159	10,145	10,145	10,271	126	1.2%
Other Expenses	2,525	2,131	2,888	2,888	2,732	(156)	(5.4%)
Adjustment to be determined					(9,000)	(9,000)	0.0%
Total	\$ 135,656	\$ 147,389	\$ 149,123	\$ 146,004	\$ 135,966	\$ (10,038)	(6.9%)

Carryover to FY 2010

8,000

Grand Total

\$ 154,004

Expenses, cont.

Salaries & Benefits

This category includes payroll and benefits for all positions authorized by the Board of Directors. It accounts for wages, overtime, pension, dental, medical, FICA, vision and all other RT-paid employee benefits.

- The FY 2010 Budget proposes \$91.9 million for salaries and benefits, an increase of \$0.7 million (0.8%) from the FY 2009 Revised Budget (\$91.1 million).
- Salaries and Benefits are proposed to increase by approximately \$0.7 million, due to step increase budgeted for certain bargaining groups.

Professional Services

This category includes purchased transportation to comply with the Americans with Disabilities Act (ADA), transit security, equipment maintenance, facilities maintenance, attorney fees, and services provided by outside consultants.

- The FY 2010 Budget proposes \$25.1 million for services, a decrease of \$0.8 million (-3.0%) from the FY 2009 Revised Budget (\$25.9 million).
- The Paratransit, Inc. and Security Services contract costs will stay the same as in FY 2009 Budget.
- Paratransit and security services contract costs make up 80.0% of this category.
- The decrease in Professional Services is partly due to decreases in the following accounts: consultants and outside services.

Materials and Supplies

This category includes fuel, bus and light rail parts, small maintenance tools and equipment, cleaning supplies, printing materials, and general office supplies.

- The FY 2010 Budget proposes \$9.5 million for materials and supplies, a decrease of \$0.8 million (-8.0%) from the FY 2009 Revised Budget (\$10.3 million).
- This reflects a decrease in CNG cost, gasoline and diesel fuel costs, and a decrease in LR vehicle parts.

Utilities

This category includes electricity, water, gas, refuse, and telephone for bus, light rail, and administrative facilities.

- The FY 2010 Budget proposes \$5.5 million for utilities, a decrease of \$0.1 million (-2.5%) from the FY 2009 Revised Budget (\$5.6 million).
- This decrease primarily results from a decrease in traction power cost.

Expenses, cont.

Insurance and Liability

This category includes premiums, claims, and attorney fees related to personal liability insurance, property damage insurance, worker's compensation claims, and commercial insurance for amounts in excess of self-insured amounts.

- The FY 2010 Budget proposes \$10.3 million for casualty and liability insurance, an increase of \$0.1 million (1.2%) from the FY 2009 Revised Budget (\$10.1 million).
- This increase primarily results from an increase in insurance premiums.

Other

This category includes, but is not limited to, travel and training, seminars, dues and subscriptions, awards and ceremonies, building leases, equipment leases, taxes, freight, advertising, legal notices, and bad debt.

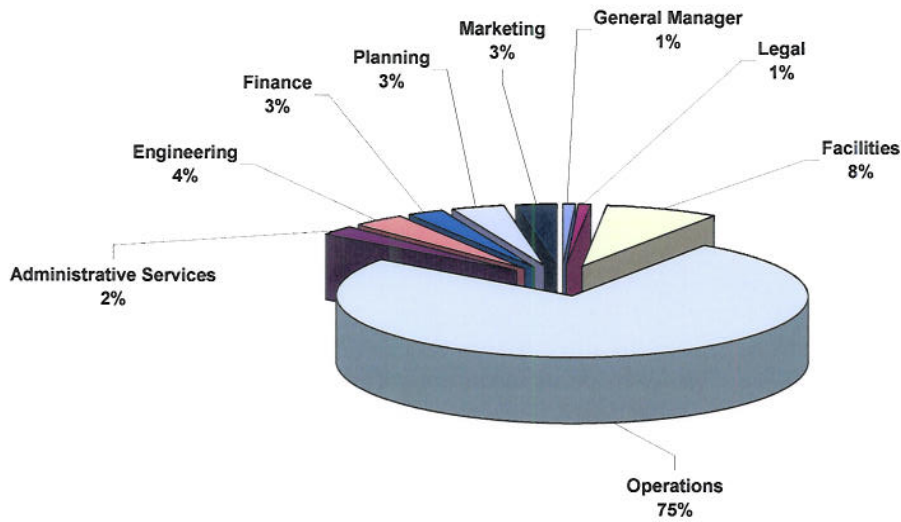
- The FY 2010 Budget proposes \$2.7 million for other expenditures, a decrease of \$0.2 million (-5.4%) from the FY 2009 Revised Budget (\$2.9 million).
- This decrease primarily results from a decrease in dues and subscription and awards and ceremonies costs.

Adjustments to be Determined

- The FY 2010 Budget proposes a shortfall of \$9.0 million.
- In order to balance the budget, RT will consider additional cost-cutting measures, service reductions, and/or potential fare structure adjustments.

Positions

The Fiscal Year 2010 Adjusted Budget proposes 1,236 Board authorized positions, a increase of two positions from the Fiscal Year 2010 Preliminary Proposed Budget (1,234 positions). This reflects the addition of two Light Rail Vehicle Technicians in the Operations Division.



Division	FY 2006 Actual	FY 2007 Actual	FY 2008 Budgeted	FY 2009 Adopted	FY 2010 Proposed	FY 2010 Adjusted	FY 2009 to FY 2010
General Manager	6	14	19	23	11	11	-12
Legal	10	10	10	10	10	10	0
Facilities	93	93	94	95	95	95	0
Operations	899	934	934	933	934	936	3 ¹
Administrative Services	63	33	33	30	30	30	0
Engineering	47	46	46	44	44	44	0
Finance	32	32	32	32	32	32	0
Planning	82	31	31	31	43	43	12
Marketing		40	36	35	35	35	0
Total	1,232	1,233	1,235	1,233	1,234	1,236	3

¹ Add Light Rail Vehicle Technicians (+2) in Operations Division.

Capital Improvement Plan

This following table represents the Capital Budget spending plan for the FY 2010 Operating Budget for the projects listed. The full five-year CIP will be adopted by a separate Board action and will cover capital funding priorities between fiscal year 2010 and 2014, and beyond to 2039.

The FY 2010 Budget includes projects focused on the following capital priorities:

System Expansion:

- Northeast Corridor Enhancements (Phase 1)
- South Sacramento Phase 2 light rail extension
- Downtown-Natomas-Airport light rail extension

Fleet Program:

- Neighborhood Ride Vehicle Replacement
- UTDC Light Rail Vehicle Retrofit

Facilities Program:

- Bus Maintenance Facility #2 (Phase 1)

Infrastructure Program:

- Watt Avenue Grade Separation
- Light Rail Crossing Enhancements

Transit Technologies Program:

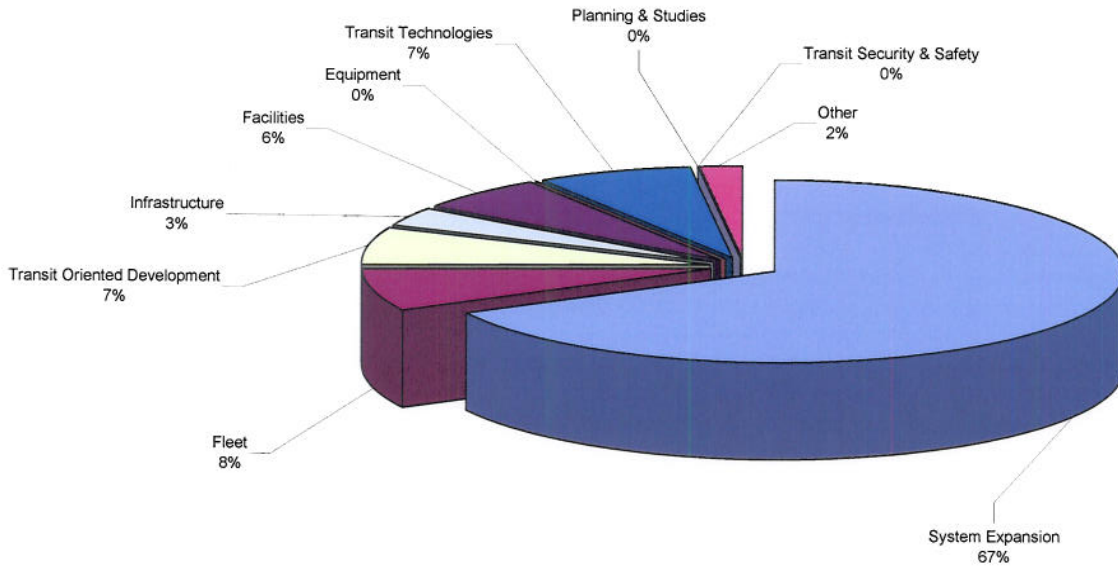
- Farebox Collection / Smart Media Implementation
- Light Rail Station Video Surveillance and Recording System

Impact of Capital Improvements on Operating Budget

Capital projects approved in the current year budget impact future operating and capital budgets as follows:

1. Capital projects completed in the current year will require ongoing maintenance and, in case of new service lines, additional and ongoing operating costs.
2. Capital projects that are not completed in the current year will require additional capital funding that may require balancing operating funding to meet fiscal constraints.
3. Capital projects that are not completed in the current year will affect future years' budgets with increased operating costs in the year of completion. Future ongoing operating and maintenance costs are projected using current year baseline dollars.

Capital Improvements By Category



Capital Improvements By Category

(Whole Dollars)

Category	FY 2010	
	Proposed	
System Expansion	\$ 78,707	67.22%
Fleet	8,873	7.58%
Transit Oriented Development	7,800	6.66%
Infrastructure	3,900	3.33%
Facilities	6,990	5.97%
Equipment	-	0.00%
Transit Technologies	8,603	7.35%
Transit Security & Safety	-	0.00%
Planning & Studies	-	0.00%
Other	2,212	1.89%
Total	\$ 117,085	100%



Capital Improvement FY 2010 Funding Additions

Program	Project Name	Tier	Funded Through FY 2009	FY 2010 Proposed Funding	Future Funding Additions	Total Project Cost
System Expansion Programs						
230	Northeast Corridor Enhancements (Phase 1)	I	\$ 23,885,739	\$ 2,429,000	\$ 8,185,261	\$ 34,500,000
310-2	South Sacramento Phase 2 Light Rail Extension	I	12,992,334	38,996,114	218,011,552	270,000,000
402	Downtown-Natomas-Airport Light Rail Extension	I	3,699,777	37,282,000	718,947,084	759,928,861
System Expansion Total			40,577,850	78,707,114	945,143,897	1,064,428,861
Fleet Programs						
4027	UTDC Light Rail Vehicle Acquisition & Retrofit	I	2,757,739	8,240,000	2,602,261	13,600,000
B040	Neighborhood Ride Vehicle Replacement	I	2,078,409	-	12,111,591	14,190,000
B041	Neighborhood Ride Vehicle Replacement - Hybrid	I	825,000	632,628	-	1,457,628
Fleet Program Total			5,661,148	8,872,628	14,713,852	29,247,628
Transit Oriented Development						
TD02	TOD Development 65th Street Station Reconfiguration	0	579,199	3,800,000	-	4,379,199
NEW	LaValentina TOD	I	-	4,000,000	-	4,000,000
Transit Oriented Development Total			579,199	7,800,000	-	8,379,199
Infrastructure Programs						
R280	Folsom Limited Stop Service	I	-	3,900,000	-	3,900,000
0534	13th & 16th St. LR Station Improvements	I	186,225	-	865,598	1,051,823
R010	Light Rail Crossing Enhancements	I	550,000	-	150,000	700,000
4017	Bus Stop Improvement Program	I	45,780	-	5,283,025	5,328,805
Infrastructure Program Total			782,005	3,900,000	6,288,623	10,980,628
Facilities Programs						
1	G145	0	-	-	-	-
	4011	I	78,173	500,000	20,697,947	21,276,120
	4007	I	300,020	-	5,487,980	5,788,000
	645	I	379,399	-	48,204,883	48,584,282
	715	I	1,934,371	6,300,000	16,981,562	25,215,933
	NEW	I	-	189,980	-	189,980
Facilities Program Total			2,691,963	6,989,980	91,372,372	101,054,315
Equipment Programs						
	B015	I	-	-	2,055,000	2,055,000
	G095	I	-	-	2,170,000	2,170,000
Equipment Program Total			-	-	4,225,000	4,225,000
Transit Technologies Programs						
	H015	0	-	-	623,067	623,067
2	G155	I	-	5,908,253	2,616,747	8,525,000
	G240	I	-	1,150,000	50,000	1,200,000
	G105	I	-	1,544,887	-	1,544,887
	G045	I	1,558,699	-	-	1,558,699
Transit Technologies Program Total			1,558,699	8,603,140	3,289,814	13,451,653
Transit Security & Safety						
	R020	I	-	-	375,000	375,000
	R165	I	220,000	-	-	220,000
Transit Security & Safety Total			220,000	-	375,000	695,000
Planning / Studies						
	0580	I	-	-	300,000	300,000
	PD09	I	-	-	47,250	47,250
Planning / Studies Total			-	-	347,250	347,250
Other Programs						
	OPE2	0	147,933	-	57,943	205,876
	OPE3	0	42,706	-	-	42,706
	G230	I	4,160,541	2,077,533	16,784,451	23,022,525
	NEW	I	-	78,500	-	78,500
	NEW	I	-	55,674	-	55,674
Other Program Total			4,351,180	2,211,707	16,842,394	23,405,281
Total			\$ 56,422,044	\$ 117,084,569	\$ 1,082,608,202	\$ 1,256,114,815

1 G145 New Headquarters Building: Trade-for-value only with no net expense to RT. Total estimated cost is \$14,100,000.

2 G155 Farebox Collection / Smart Media Implementation: To be fully funded by SACOG

* All project expenditures are subject to available funding.